The newspaper of drug store retailing

November 25, 1991

DRUG STORE NEWS

Vol. 13 No. 21

A Lebhar-Friedman publication

Court clears way for vote on Revco plan

By James Frederick

AKRON, Ohio — U.S. Bankruptcy Court Judge Harold White pushed the tangled finances of troubled Revco D.S. one step closer to resolution this month by clearing the way for a vote by creditors on a plan of reorganization.

At a sometimes contentious, all-day court hearing Nov. 8, White approved a lengthy disclosure document released by creditors which details their reorganization plan for Revco. The approval allows the three creditor committees which drew up the plan to send it out for a vote this month by all of Revco's thousands of creditors, who together were owed roughly $1.45 billion by the chain when it fled into Chapter 11 protection nearly three-and-a-half years ago.

Vying with that plan, however, are two takeover bids by rivals Jack Eckerd Corp. and Rite Aid. At the hearing, White refused to allow a vote on Eckerd's hastily revised plan until all parties had had a chance to review its new, sweetened proposals *(See related story)*. Despite pleas by Eckerd attorney Kayalin Marafioti for immediate approval of Eckerd's disclosure statement, White rescheduled a hearing on that plan for Nov. 15. He also set a hearing on Rite Aid's plan—the last of the three to surface—for Dec. 5.

White also agreed to set a Dec. 30 deadline for voting on any of the three plans, and scheduled a final confirmation hearing on all plans for Jan. 8, 1992. Both dates were requested by Revco and its junk bondholders, trade creditors and lending banks after attorneys revealed that one of Revco's leading banks was using both a carrot and a stick to prod the chain out of bankruptcy by early next year. Wells Fargo Bank, said attorney Robert White of the official bank creditors' commit-

See **Revco** *page 41*

Eckerd sweetens offer

CLEARWATER, Fla. — Jack Eckerd Corp. has enhanced its offer to buy Revco, adding $26 million in notes and debentures that it would pay to Revco creditors.

The sweetened plan—totalling $996 million in securities—was filed Nov. 6, days after Rite Aid entered the picture with its own plan to buy the bankrupt chain with cash and Rite Aid stock.

The modified plan, Eckerd said, was filed in response to objections raised by the Revco creditors to the company's first plan, and after discussions with creditor groups.

The new plan increases the stake offered to unsecured creditors in a proposed new holding company. Subordinat-

See **Eckerd** *page 41*

LATE NEWS

• GLENDALE, Ariz. — RDS Acquisition Corp., operators of Rx Plus, was slapped with an involuntary Chapter 7 petition by three creditors who say they are owed $150,100. CFO Anthony Collura called the petition an "overreaction," and told *The Arizona Republic* the chain intends to pay and is trying to get financing.

• TROY, Mich. — Arbor Drugs has capped a chain-wide conversion project to link its 118 stores, its DC and its headquarters with POS computers. The system will help boost inventory control and merchandising capabilities, Arbor reported.

• CLEVELAND — Wal-Mart said it will open its first two stores in smaller towns south and east of this city.

FEATURES

REX winners: Tops in the field

These industry leaders have developed the business methods necessary to come out on top in a tough market. **Page 9.**

Trading cards a winning hand

Chains are expanding selection after discovering the high margins and rapid turns of trading cards. **Page 35.**

SECOND CLASS

* 03029 ******** 3-DIGIT 208
0124457 DR JUL92
ATTN: SRI
CONGRESSI INFO SVC
4520 E W HWY
BETHESDA MD 20814

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

Downtown fun at new Pay 'n Save

SUMMARY: Pay 'n Save customizes a downtown Seattle store with a flower shop, espresso bar, expanded greeting cards and one-hour photo lab.

SEATTLE — Pay 'n Save's fifth downtown store here is unique, with a fresh flower department, its first one-hour mini-lab, and an espresso bar.

As is sometimes the case with urban stores, this format in the 16-floor Newmark building at the corner of Second and Union streets, had to conform to a quirky floor space. The 20,000-square-foot store is narrow and long, and had to work around pillar structures.

Yet, Pay 'n Save has created a striking layout in a mid--town location that draws from urban residential tenants as well as office and business workers.

The 124-store division of Thrifty Corp. views the format as a showcase design in which it can test new concepts, including some features of a new prototype now in four other stores, Richard Dortch, Pay 'n Save's president, told *Drug Store News*.

In decor, the "Newmark store" features muted green, blue and white colors which in Pay 'n Save's typical store are brighter (matching the colors of the hometown Seattle Seahawks football team).

The drug store is on the first floor of a multi-use building

See **Pay 'n Save** *page 41*

This customized Pay 'n Save in downtown Seattle has many unique features including a flower shop and an espresso bar.

Thrifty hires 4 execs; restructure continues

SUMMARY: Management changes continue at Thrifty Drug. Four high-level executives are hired, and a new president will soon be named, as Bill Yingling builds his team to right Thrifty.

By David Vaczek

LOS ANGELES — Thrifty Drug has hired four senior executives as a restructure continues under new Thrifty Corp. chairman and ceo William Yingling.

John Boyle, a former vp-MIS at Lucky Stores where Yingling had been president, was named as Thrifty Drug's senior vp-store operations, with overall responsiblity for this discipline.

Also, Eric Sorkin, the former No. 2 pharmacy executive at Rite Aid, has joined Thrifty in the top pharmacy post of senior vp-pharmacy operations.

See **Thrifty** *page 41*

NEWS IN BRIEF

Rock Bottom's Rose promoted

Rose

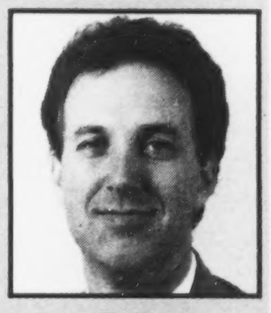
PORT WASHINGTON, N.Y.—Industry veteran Larry Rose has been promoted to vp-marketing and merchandising at Rock Bottom. He was president of Fay's and executive vp at Thrift Drug for many years before joining the deep discounter in July as vp-pharmacy. Looking ahead, Rose promised a "block-and-tackle football" approach for the 31-store chain: "Building a team and expanding market share to make us a dominant player on Long Island."

O&M names Farinholt vp-info. services

RICHMOND, Va. — Owens & Minor has named Richard Farinholt as vp-information systems. Farinholt most recently served as president of his consulting firm, the Information Technology Group, Inc. Prior to that he was president of HealthNet Inc., an information technology subsidiary of Consolidated Health Care, Inc., a $2 billion holding company.

For 17 years, Farinholt, a University of Virginia graduate, was employed by IBM in various positions including systems engineer, marketing manager and MIS director.

F&M's Keller: vp-merch.



Keller

WARREN, Mich. — Matthew Keller has been named vp-merchandising at 103-unit F&M Distributors. He comes to F&M from PACE Membership Warehouse in Denver where he served as vp-general merchandise.

He will be responsible for all corporate merchandise operations at the deep discount operation and will report directly to Earl Weissert, former vp of merchandising, who has been promoted to senior vp at the chain.

Hannaford feels recession

SCARBOROUGH, Me. — The New England recession has no end in sight, said Hannaford Bros. officials, who reported that earnings have slipped in the first nine months.

"The recession is serious," Hugh Farrington, president of the supermarket and drug store company, told Wall Street analysts recently in New York. He added: " We don't see any stimulus that would provide a turnaround."

A lack of consumer spending along with a "fair share of new competitors" in the form of warehouse clubs swarming northward, plus costs in integrating the Alexander's supermarkets bought this year, dampened results for the quarter and nine months ended Sept. 28.

Third quarter net sales were $523.9 million, up 18.7 percent from last year; net earnings were $12.6 million, an increase from last year's third quarter of 9.3 percent. But, while sales for the nine months grew 19.8 percent to $1.25 billion, net income for the nine months decreased 2.6 percent from last year, to 32.6 million.

Same-store supermarket sales for the nine months are up 2.5 percent from last year.

SHOPA introduces Expocard

NEW ORLEANS — Buyers and exhibitors participating in next month's School and Home Office Products Association (SHOPA) show will have better access to more information through Expocard, which will debut there.

Each Expocard contains a computer chip. When the card is inserted into stations located in the exhibit space, the cardholder gains access to a list of products and services available from exhibitors. Exhibitors will have card readers that can capture profile information on buyers who insert their cards in readers.

IN THIS ISSUE

FEATURES

REX Awards 9-29
Trading Cards 35-38

COSMETICS AND FRAGRANCES

Beauty Beat 108

DEPARTMENTS

Opinion 4
In the Market 4
The Human Side 4
Midwest Report 6
Job Mart 6
Store Manager Training 33
Finance 42

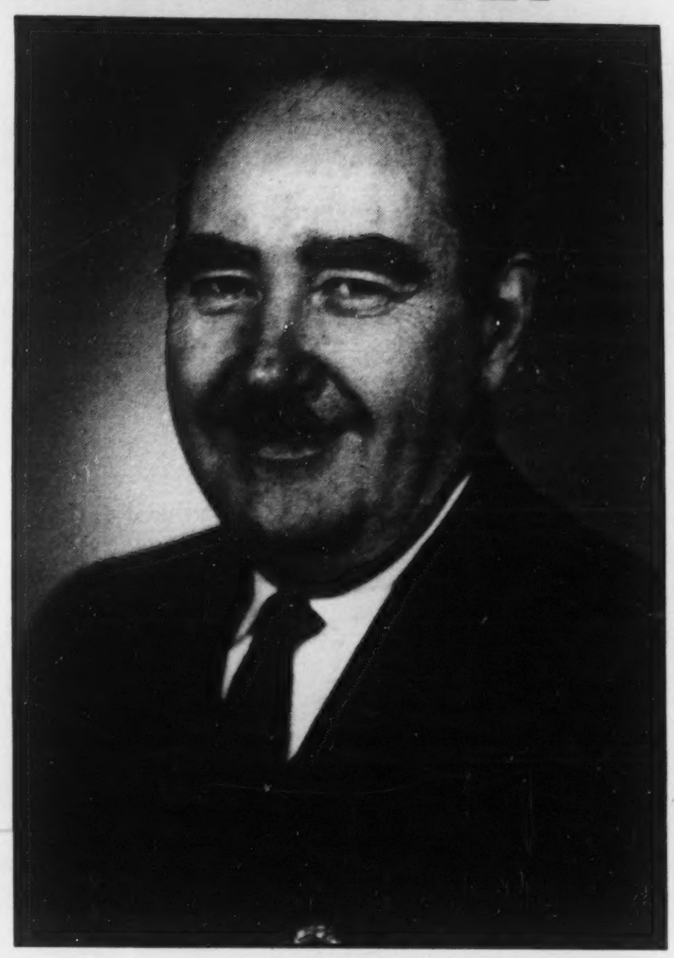
Retired Walgreens' Pratt dies; known as 'father of chain Rx'

By David Q. Mahler

Harold W. Pratt, Walgreens' first director of professional relations, died on October 29 after a long illness. He was 85.

Pratt, who retired in 1971 after 43 years with Walgreens, was the first in the chain field to hold that position, one that is common to all drug chains today.

Often referred to as the father of chain pharmacy, his contribution to the industry was recognized by the National Association of Chain Drug Stores which, in 1985, established the Harold W. Pratt award in his honor. The award is given each year to the chain pharmacist who has contributed most to the promotion, recognition and improvement of pharmacy.



Pratt

Oversaw pharmacy growth

When Pratt was first appointed to his position as manager of the prescription departments in 1945 by Charles R. Walgreen, Jr., the company's retired chairman, Walgreens was not known for the scope of its pharmacy operations.

Walgreen told *Drug Store News*, "We were doing about 2 percent of sales in our pharmacy and 30 percent in our food operations." At the time of Pratt's appointment as director of professional services in 1952 the department was doing less than 10 percent of the company's sales. But, the role of pharmacy was changing with the suburbanization of retailing and Pratt did much as the catalyst to put Walgreens' pharmacy operation in the forefront. Today, Walgreens' prescription sales have soared to over $2 billion, more than 35 percent of the company's $6.5 billion sales.

Walgreen, with whom Pratt was especially close, told *DrSN* that few people he knew "were as devoted to pharmacy as Harold. He was a wonderful man who beat the drum for pharmacy and did so much for our company."

Pratt worked tirelessly with the national and state pharmaceutical associations and was active in pharmacy educational circles, organizing student seminars and convincingly promoting the virtues of chain pharmacy to groups who, at the time, were far from sympathetic. He was also well regarded by his peers in the pharmaceutical manufacturing community.

He worked equally hard within his own company to convince regional and district managers of the value of the pharmacy franchise to their operations and to get them to pay as much attention to the pharmacy as they did their upfront operations.

He was a man hard to deny. Under thick eyebrows and behind twinkling, mischievous eyes was the will and drive of a dedicated professional with a singular mission: to gain recognition for the department he championed.

Chain industry recognition came to Pratt in 1958 when he was asked to organize and chair the first NACDS pharmacy meeting, an event that has since grown into one of the premiere meetings of the profession and the one at which the award in his name is granted.

He joined Walgreens in 1928 after graduating from the University of Minnesota. He worked as a pharmacist, assistant manager and store manager before moving to head up the pharmacy department. In 1969, Pratt was honored by his alma mater for "outstanding achievement for an alumnus."

He is survived by his son Charles, four grandchildren and three great-grandchildren. Donations may be made to the American Cancer Society or the University of Minnesota School of Pharmacy.

Mr. Mahler was formerly editor and group publisher of the Drug Store News *group of publications, and worked closely with Mr. Pratt to develop the first NACDS pharmacy meeting.*

Genovese's Kett given Arthritis Foundation award

Herb Kett, vice chairman of Genovese Drug Stores, was honored by the Arthritis Foundation Long Island Chapter for his commitment to helping improve the health of Long Islanders, at a Nov. 8 reception following a performance by Barbara Mandrell at Westbury Music Fair. In presenting the award, Allan Patrick (center), executive vp at Genovese, called Kett (l) his "mentor, and a man who makes people feel important." At right, the 1990 honoree, Frank Castagna of Castagna Realty.

Publix eyes Ga.

SAVANNAH, Ga. — Publix Supermarkets, a power in Florida combo store retailing, begins its northward march this month with the opening of its first store in Georgia in this historic port city.

Meanwhile, Publix has named the management team for a new Atlanta division, which becomes effective Dec. 30.

William (Ed) Crenshaw, who now serves as the Lakeland division vp, will head efforts here as vp-Atlanta division.

Bob Moore, operations director in Lakeland, will be director of retail operations in Atlanta.

One source at Publix said the chain is examining as many as 25 potential store sites near Atlanta.

In FMI combo study, the news isn't all bad

The combo store bandwagon continues to gather momentum.

Towne-Oller, which tracks the growth of these one-stop shopping outlets—lately with the help of *Lebhar-Friedman's Chain Store Guides*—reports a 24 percent gain in the number of grocery outlets with pharmacies between 1987 and 1990. By the end of last year their number had reached 4,300. How far can they go? Only time will tell.

IN THE MARKET
BRUCE BUCKLEY

There are plenty of reasons why supermarket operators have latched onto this traditional drug store category with such eagerness. Many of them are outlined in a well researched study recently released by the Food Marketing Institute.

The study zeroes in on consumers' attitudes toward supermarket pharmacies. And from their point of view, the departments are just fine. The meat-and-medicine image that some of the earliest versions conjured up has largely disappeared with the development of some of the classiest formats in the business. Consumers who shop supermarkets with pharmacies tend to rate those stores higher in service and quality than shoppers who frequent non-pharmacy supermarkets rate their own stores.

What's more, the presence of a pharmacy has a definite impact on consumer purchases of personal care products and HBA/OTC. Combo shoppers are much more likely to purchase personal care products and non-prescription medicines in those stores than shoppers of non-pharmacy supermarkets purchase in theirs.

To show how this consumer predilection translates into dollars, Towne-Oller has compared the HBA volume of combo stores and traditional supermarkets. In its latest food store audit, dated June 1991, the average combo generated almost four times more HBA volume than the average non-pharmacy supermarket. No wonder so many food store operators are jumping on that aforementioned bandwagon.

Still, for traditional chain drug stores, the news is not all that bad. The study found that only about half of the combo shoppers actually patronize the pharmacies in those stores. And, supermarket pharmacies account for only about a third of the prescriptions filled by those customers, the other business going to traditional drug stores, mostly chains, and mass merchandisers.

Another piece of good news from the traditional drug store's point of view: Only about one in five customers of non-pharmacy supermarkets care about whether a pharmacy is added. That seems to suggest that their needs in this area are being met by other operators.

It also suggests that while supermarket operators continue to use their considerable resources to gain a bigger stake in the health care arena, drug stores can hold the line by emphasizing their traditional strengths of convenience and service.

* * *

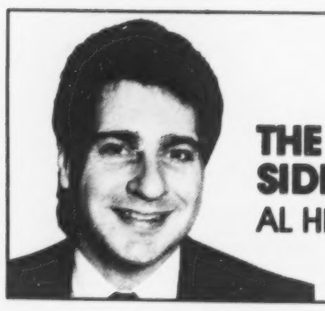
Interestingly, it's not only chain drug stores but independents that are feeling the heat from the supermarkets' incursion into their markets. At the recent meeting of the National Association of Retail Druggists, the outgoing president, Bill Katz, suggested that independents would do well to consider linking up with independent grocery store operators to create their own answer to combo store competition. NARD has set up a task force to see if they can't help be a marriage broker for aggressive food and drug independents. It will be intriguing to see how that works out.

Sells: Singular focus on righting Revco

Revco chairman Boake Sells greeted me at an NACDS Conference earlier this year. Above the din of a packed ballroom, he said: "Here we are, Revco and all its friends."

He, along with executive vp-marketing Jim Adamson and chief financial officer Greg Raven, were standing alone at the moment.

Besieged by creditors and pressed by a nightmarish fiscal situation not of his making, Sells felt isolated.



THE HUMAN SIDE
AL HELLER

In his four years since leaving Dayton Hudson to restructure a highly leveraged Revco into a viable competitor without the shield of Chapter 11 protection, he has accomplished a great deal.

He downsized the chain from over 2,000 stores to 1,100 of the most productive, paring operations to 10 contiguous states from 27. By now, about half the chain has been remodeled. And one of the industry's most rapid chainwide installations of POS scanning systems has been completed.

Moreover, Revco's Prescription Access Link interactive pharmacy computer network has enabled the chain to slash third-party non-payables from a peak of $32 million in the late '80s to $9 million in 1990, Bill Seltzer, senior vp-distribution and systems, told a jammed courtroom hearing in Akron on Nov. 8.

Apparently, the efforts of Sells, Seltzer, Adamson, Raven and D. Dwayne Hoven, executive vp-stores, haven't escaped the notice of some of the best assessors of value in the chain drug industry: Alex Grass of Rite Aid and Stewart Turley of Eckerd.

They have weighed in with bids for Revco that have turned the latter half of 1991 into a fitful period for Sells and his team. On the surface, many market efficiencies exist for both chains. In slow growth times like the present, however, market share is the game. And it makes sense that neither would want to compete against a reinvigorated Revco.

For his part, Sells has always battled for the life of Revco and the ongoing employment of its people. He told me once he "is committed to sticking through this. I didn't come over here to quit."

Indeed, he has thrown his support behind a creditors' plan that doesn't take care of equity holders like himself.

At the Nov. 8 hearing, dozens of lawyers and their clients heard Sells say what he didn't like about other plans: Eckerd's anticipates the closing of 359 Revco stores and much of its headquarters operation, and Rite Aid's plan spells out the closing of many Revcos in overlapping markets.

On the stand, Sells also brought up potential antitrust complications. He cited research he directed that indicates that 47 percent of Revcos in Georgia and 40 percent in South Carolina overlap with Eckerd, while 85 percent of Revcos in West Virginia and 57 percent in Ohio overlap with Rite Aid.

Sells has maintained credibility by setting achievable goals for the chain (stores are profitable), not overreaching, communicating openly with employees (the quarterly Boakathon phone call-ins) and creditors, and keeping his single-minded focus on improving the drug stores. By seeking a consensual plan of reorganization, he has earned high grades from creditors, such as Michael McCormick, executive vp at Bindley Western and head of the trade creditors' committee, who called Sells "on the mark so far" in his forecast of Revco performance gains in 1991.

DRUG STORE NEWS®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Pharmacy Editor **Dianne Tharp, R.Ph.**
Senior Editor **David Vaczek**
Desk Editor **Carol Kearney**
Assistant Desk Editor **Fred Rueckher**

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Art Director **Bob Brokman**
Graphic Artist **Maryellen Seery**

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Nat'l Accounts Manager **Larry Krongold**
N.Y. Area Manager **Dan Bagan**
N.Y. Area Manager **John Kenlon**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Office Manager: **Angela Ftaras**
Chicago 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
Area Manager: **Maggie Keeppel**
Office Manager: **Beverly Wendtland**
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, (213) 464-8321
Office Manager: **Maureen Jackson**

Group Circulation Director
Matthew J. Clancy, Sr.
(3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746)
Nat'l Director of Field Marketing & Circulation Services **Jim Dickson**
Circulation List Manager **Torry Burdick**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr.
Debbie Rothenberg
Business Manager **Joel Safir**

Board of Advisers

Judie Doherty, McKesson Corp.
Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
John Jenninge Brooks Drug, Inc.
Tim McAlear Pay Less Drug Stores NW
Frank Newman F & M Distributors
David Schwartz Smitty's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Finance **James Granato**
VP/Circulation **Martha Pettley**
VP/Publisher **John Rapuzzi**
Director, Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Trading cards deal chains a winning hand

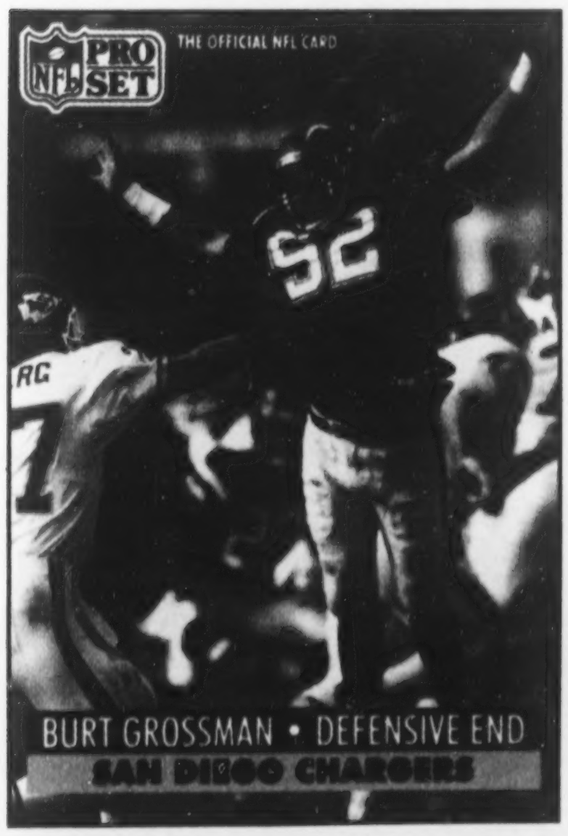
Drug chains have discovered trading cards' potential for high margins and rapid turns and are expanding their assortments and allocating additional space.

By Michael Hartnett

Pick a card, any card! Companies that once catered exclusively to baseball card collectors have broadened their offerings to appeal to an increasingly segmented market. And they face plenty of new competition who are armed with a wide range of glossy, full-color cards on football, basketball, hockey, boxing, soccer, golf, wrestling, skiing and the Olympics.

Other market upstarts: classic television shows, top grossing movies, musical groups, cartoon characters and even the Desert Storm Operation.

Drug chains are the newest players in the trading card category. Having discovered its potential for high margins and rapid turns, many are expanding their assortments and allocating additional space. Stores that once limited trading cards to a peg or two for Topps and Fleer near the cash register are now creating in-line sections in toy or candy departments and dedicating endcaps at the front of the store.



Topps and Fleer are now part of a crowded field of card manufacturers that includes Upper Deck, Impel, Pro-Set, Donruss/Leaf, Pacific, Score and Kayo.

Trading cards have become a $1 billion a year business, and for several reasons. High profile athletes continue to attract loyal fans eager to own their sports hero's trading card, and non-sports cards are attracting non-traditional collectors, such as young girls and women.

Many card companies are highly promotional, supporting their products with high-powered advertising, special offers and special events *(See sidebar)*. Another reason behind rapid growth in the category is the high quality of the cards themselves. Traditional "wax packs" now share shelf space with several upscale collections featuring top quality photography and glossy finishes.

Market Share By Brands	
Topps/Bowman	37%
Fleer	15
Donruss/Leaf	15
Upper Deck	14
Score	8
ProSet	5
Impel	2
All others	4

Source: Glendinning Associates, Westport, Conn.

Most assortments are built around baseball cards, which still generate 80 percent of all sales in sports cards. The opening price point is usually around 50 cents for wax packs, and the high-end is defined by premium collections priced at $1.29 to $1.49. These high-end packs can often be resold immediately by collectors for double or triple that amount. Margins typically begin at 30 percent for wax packs and can reach 200 percent for higher-end collections. The most popular lines blow out of the store within hours or days, making it almost impossible for retailers to track turns or to stay in stock.

"It's a pretty hot business," says buyer Laurie Mauragas of Happy Harry's Discount Drugs. "I am very proud of this area." During the past two years, the chain has created three- and four-foot sections in many of its toy departments, and endcaps in other stores. Mauragas says the category now delivers good year-round business because "every card company has cards for the entire season, and we can update with cards from different sports."

At Harco Drug, buyer Andy Horn says that "until a couple of years ago, we weren't even in the category. We used to let a jobber bring in the cards and put them on a rack, but now we're buying direct and bringing them in from the warehouse." Based on sales generated by an endcap assortment, he says the chain will go to an in-line location of about three or four feet in the candy and novelty section.

Trading cards represent one of the most opportunistic categories offered by drug chains, one that retailers say calls for a "get-in-and-get-out strategy."

"We buy a certain number of cases and 90 percent of the purchase goes out right away. Our philosophy is for variety, with limited backup. We want to keep new card collections coming in to replace those that are going out—we don't want to get long on any of them," says a buyer from a Southeast-based chain. "There is no such thing as typical turns."

Current top sellers such as Stadium Club by Topps, Fleer Ultra, Upper Deck's limited edition of signature cards and Leaf's Studio collection—all

baseball collections—are also the hardest for retailers to get because manufacturers limit supplies.

"One of the reasons our product sells through as fast as it does is that there is a sense of urgency," says Upper Deck's Jay McCracken, vp of sales. "Collectors know they have to buy it now or it won't be there next week." McCracken says allocations are based on the number of stores a chain has, its market share and population served and its ability to handle the product category effectively.

Most manufacturers rely on a network of brokers and distributors to have their cards delivered to stores. But getting the cards to each store doesn't necessarily mean they will make it to store shelves. Some buyers express concerns that the credibility of their trading card program could be hurt by store personnel who buy hard-to-get cards for themselves before customers ever see the cards.

Buyers are enjoying the benefits of tamper-proof foil packaging, clamshell packaging and security stickers that reduce shrinkage.

Popularity By Sport	
Baseball	80%
Football	13
Basketball	4
Hockey	3

Source: Glendinning Associates, Westport, Conn.

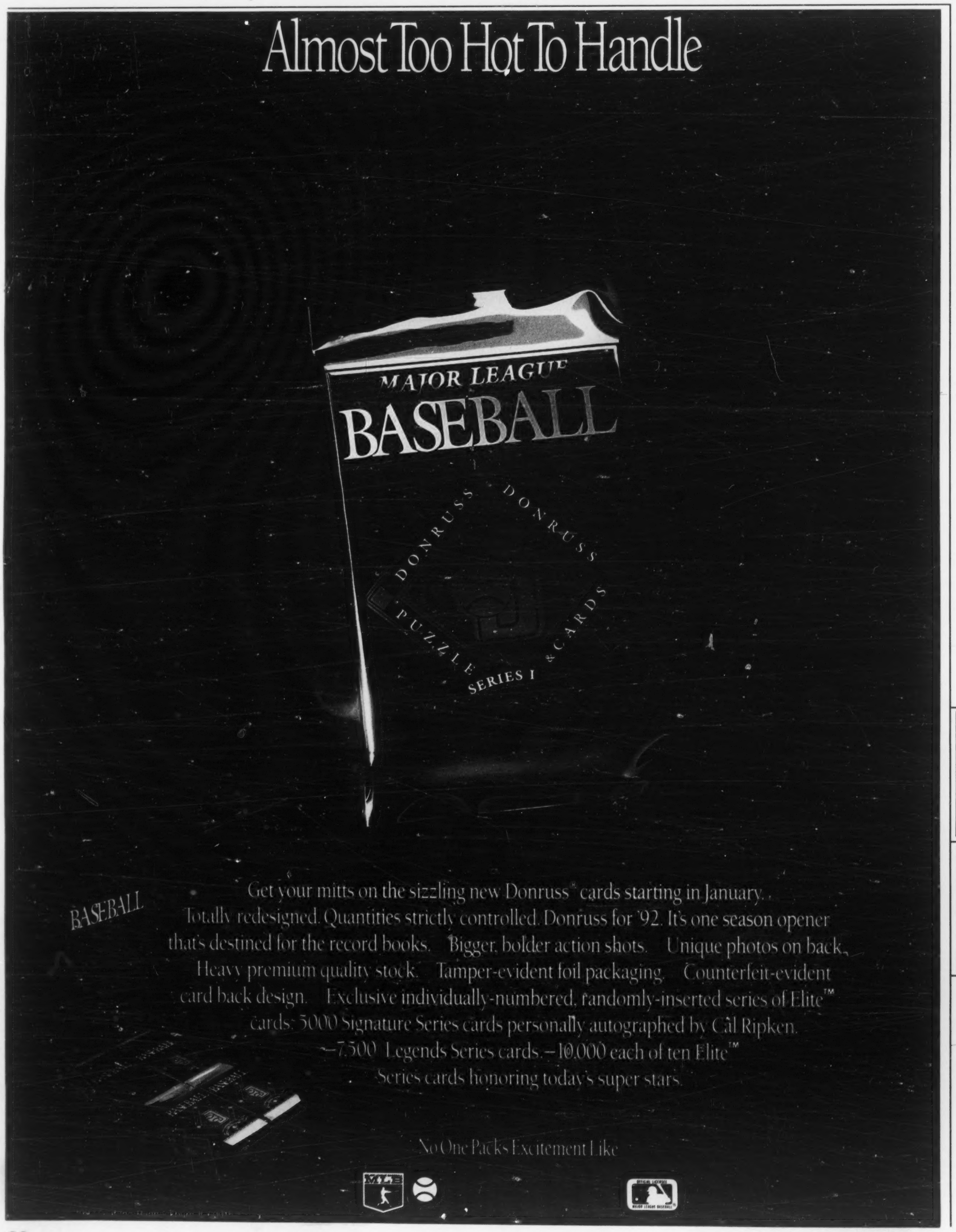
Entertainment and sports cards are lucky pair

Market studies by Glendinning Associates of Westport, Conn. reinforce the importance of baseball collecting to the trading card industry, but also help underscore the tremendous potential of other sports and non-sports cards for increased sales and an expansion of the customer base.

"Wax packs are still the No. 1 SKU, but Garbage Pail Kids and Desert Storm cards are really appealing to boys and girls," says Glendinning vp Rob Kovalesky. "The sports card segment continues to be the day-in and day-out key volume player, but the entertainment segment (cards based on movies, television, licensed characters and pop culture) is an exciting business. These cards could represent 50 to 75 percent of sales for a peak period following the release of a new property."

Kovalesky says the category will continue to grow because of an increase in the number of collectors, both serious and casual, and the growing importance of gift giving. Another major factor is the "aggressive manufacturers' support and promotions that serve to drive the category," he says.

There are, however, some concerns being expressed about the impact that so many new introductions will have on collectors. "The explosion in the number of collections that are available is inhibiting the emotion to collect," says Tom Mortenson, editor of *Sports Collectors Digest*. "Collectors can't collect everything, and because of this card companies are seeing tremendous competition. As companies continue to produce a higher-end, better looking product, we will see a weeding out of cards that are not as slick looking," he says.


Almost Too Hot To Handle
MAJOR LEAGUE
BASEBALL
DONRUSS
DONRUSS
PUZZLE
SERIES I
& CARDS
Get your mitts on the sizzling new Donruss® cards starting in January.
Totally redesigned. Quantities strictly controlled. Donruss for '92. It's one season opener
that's destined for the record books. Bigger, bolder action shots. Unique photos on back.
Heavy premium quality stock. Tamper-evident foil packaging. Counterfeit-evident
card back design. Exclusive individually-numbered, randomly-inserted series of Elite™
cards: 5000 Signature Series cards personally autographed by Cal Ripken.
—7,500 Legends Series cards.—10,000 each of ten Elite™
Series cards honoring today's super stars.
No One Packs Excitement Like

Better variety grabs interest year-round

Rocketeer and professional skateboarders will probably never be as valuable as the Honus Wagner baseball card that recently fetched $450,000 at auction. But these and other non-traditional trading cards are generating millions of dollars in additional retail sales.

An explosion in trading card selection has served to attract new collectors of all ages and both genders, broadening the appeal of this product category and transforming it into a solid, year-round business.

The first step toward eliminating sales peaks and valleys that were closely tied to the baseball season began with the introduction of cards from other sports. Professional baseball, football, basketball and hockey are now represented by several lines of cards, along with soccer, auto racing, the Olympics, professional wrestling and

Continued on page 40

Screens burning UVB & also **blocks** penetrating UVA rays.
Herpecin-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The healthcare professionals' **treatment of choice!**
Herpecin-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

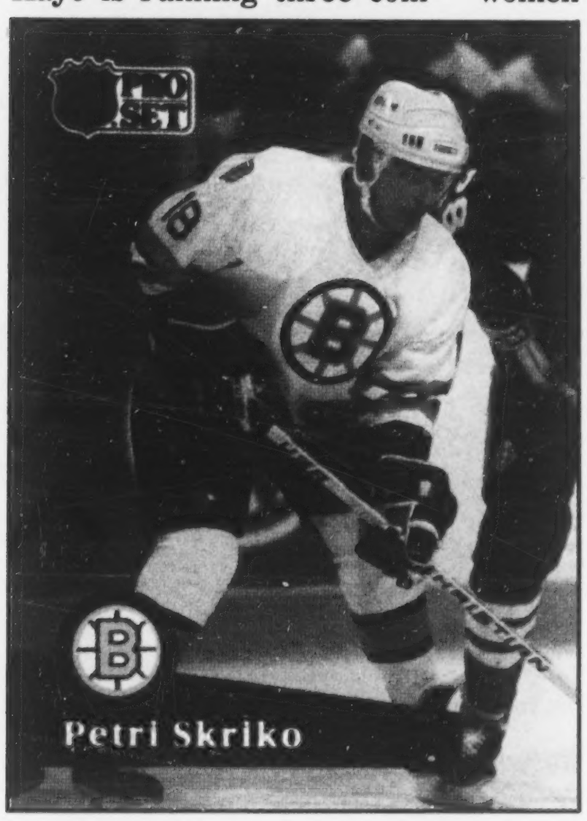
DIRECTOR OF PHARMACY
The Rx Place, a rapidly expanding deep discount drug store chain with 25 stores in 5 states in the Northeast, seeks a director to oversee complete operation of Pharmacy Department. This position is based in New York City and involves 50% travel.
Previous experience required. SALARY NEGOTIABLE. Excellent benefit and bonus package.Send resume in confidence to: **Bob Carlson, VP of Operations, The Rx Place, 233 Broadway, New York, NY 10279. FAX: 212-553-2658**
The Rx PLACE

Manufacturers expand market, promote heavily

When Keystone Pharmacy's Marty Rosenstein, vp of merchandising, decided to add Kayo's line of boxing cards to the chain's trading card assortment, his decision was based largely on the company's commitment to support its products with a promotional program built around the Evander Holyfield-Mike Tyson bout.

Kayo keeps original plan

Before that fight was put on hold, Rosenstein said: "they are spending money to support the program, so I am going with the promotion. Kayo is running three commercials before the fight and we will be giving away Kayo posters and caps at each of our stores."



Competing for market share

Indeed, with so many trading card companies vying for their market share, several are spending quite heavily to establish brand identity and stimulate consumer interest by using special promotions, ad campaigns and public service programs.

These activities inform sports fans that trading cards aren't just for baseball card collectors anymore. They're also attracting the interest of women and young girls who weren't a part of that market just a few years ago.

Impel's strategy

"Any good buyer really evaluates what [a manufacturer's] doing to support [its] products," says Impel Marketing's Don Fish, senior vp of marketing. "In our case, we have our own wrapper promotions, and that is sufficient to get the product through.

We have a separate department of people who work with direct marketing organizations. Right now, we have 50 different fulfillment programs for offers we have made to our consumers. These programs are a big piece of our overall marketing strategy."

ProSet's ad campaigns

At ProSet, Victor Shaffer, vp of marketing, says the company's extensive print and television ad campaigns have been supplemented by several public service programs such as local coaching clinics, anti-drug abuse and stay-in-school messages.

Profits from the company's lines of Desert Storm trading cards were contributed to a foundation to benefit the many troops that were stationed there.

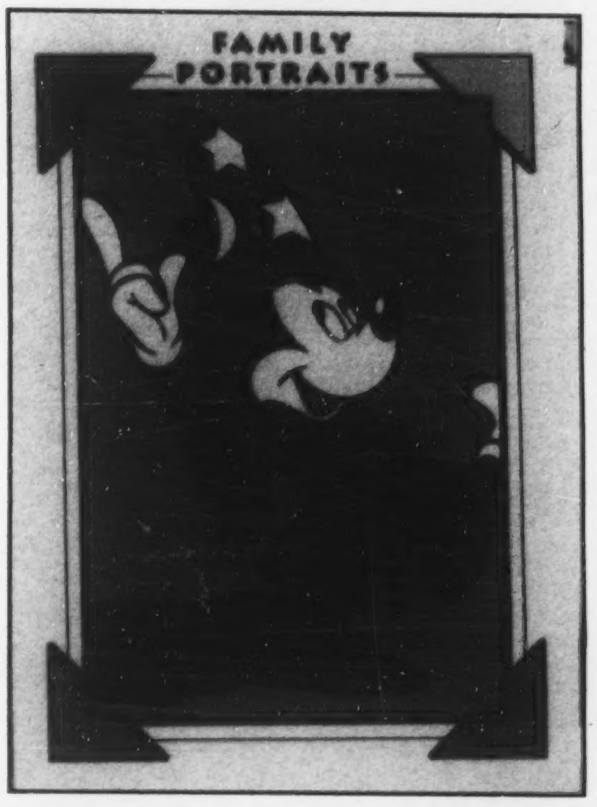
Pacific finds a niche

At Pacific Trading Cards, executive vp Arnie Harris says the company is expanding its advertising programs by buying cable television spots to reach youngsters, running ads in newspapers and magazines to reach adults and using POS materials and in-store displays with tie-ins to product lines.

"Plus, we get a lot of free advertising because of all the media attention for our cards featuring the Andy Griffith and 'I Love Lucy' shows," he adds.

Upper Deck

Upper Deck has earned the reputation of being the most promotional company of all. Vp of sales Jay McCracken says, "We are trying to become involved with the various sports whose cards we represent, to be a part of the fabric of these sports."



In recent weeks, Upper Deck was a prime sponsor for the McDonalds Open in Paris, in which the Los Angeles Lakers played exhibition games in Europe. The company's also sponsoring fan ballotting for the National Hockey League All Star Game. In the National Football League, Upper Deck sponsored The Quarterback Challenge, and in baseball, it's sponsoring The Heroes of Baseball games that were formerly known as Old Timers' Games. Upper Deck has already spent more than $4 million in baseball projects alone.

Annual Sales Growth in Sports Trading Cards

1990	$857
1989	450
1988	268

Source: *Sports Collectors Digest.*

Sports vs. Non-Sport

Sports cards	90%
Non-Sports cards	10

Source: Glendinning Associates, Westport, Conn.

A better variety grabs interest

Continued from page 36

many others.

"There are almost no cycles to card collecting anymore. Trading card companies are releasing product long before a sports season begins and then following up with another issue during the season," says Victor Shaffer, vp of marketing for Pro Set. "We were one of the companies that led the change to annualization, and it has succeeded."

Sports-related cards remain the heart of the industry, but manufacturers are building on that core business by creating new card themes that attract non-traditional collectors.

For Sci-Fi fans, Impel Marketing created the Terminator 2 collection and a Star Trek series. At Upper Deck, the Looney Tunes All-Stars were designed to attract baseball card collectors who are also fans of Porky, Daffy and Wiley Coyote.

NEED MORE DOORS?

In difficult times . . . smart, aggressive manufacturers looking to build distribution need a seasoned sales force with strong ties to the Drug Chain, Mass Merchandise and Super Market Industries.

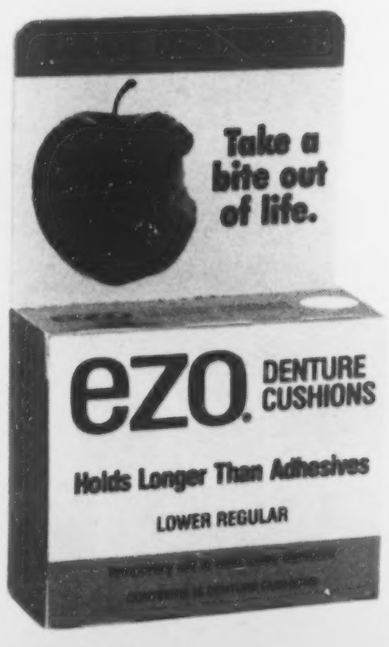
Burns & Associates is a hard-hitting manufacturer's rep firm that will "Open Doors" for your company and its products!

During the past 10 years the Burns sales organization has established an excellent reputation for sales performance in the 13 Mid-western States.

If you manufacture or distribute Health & Beauty Aids, Cosmetics or other personal care consumer package goods . . . and need More Doors . . . call

Gary Burns
Burns & Associates, Inc.
1111 E. Touhy Ave., Suite 450
Des Plaines, IL 60018
Tel. 708/699-0535
Fax: 708/699-1053

MEMBER
NAGMR
NACDS



• *Year round sales*
• *Holds full 24 hours*
• *No taste or odor*
• *Fits all dentures*

• Lower Regular 15's
• Lower Heavy 15's
• Upper Regular 12's
• Upper Heavy 12's

ezo® DENTURE CUSHIONS
Largest Selling Denture Liner.
National Newspaper Advertising.
MEDTECH LABORATORIES, INC.
3510 North Lake Creek Dr. • P.O. Box 1108
Jackson, Wyoming 83001 • 1-800-443-4908
Ask your wholesale or Medtech representative about EZO, or call us directly.
© 1990 Medtech Laboratories, Inc.

Two sunscreens give **"maximal protection"! [SPF=10]**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Screens burning UVB & also **blocks** penetrating UVA rays.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

FoxMeyer reports gains in first public quarter

DALLAS — FoxMeyer reported a healthy gain in operating income in the second quarter—its first quarter as a publicly traded company.

Operating income for the period ended Sept. 30 was $8.5 million, a 63.5 percent increase from last year.

Net income was $5.8 million, or 24 cents per share.

That includes an extraordinary gain of $1.6 million or 7 cents per share from the use of tax loss carry-forwards.

Net income in last year's second quarter was $3.2 million, or 15 cents per share, which included an extraordinary gain from the carry-forwards of $1 million, 5 cents per share.

"These results are especially gratifying in light of the previously announced change in our relationship with Kmart from primary to secondary supplier," said Robert King, president and ceo.

Sales for the quarter were $736 million, a 5.1 percent increase over last year.

King said proceeds from the public offering (FoxMeyer sold 33 percent of its ownership) are being invested in information systems and distribution center automation. Further, FoxMeyer is studying potential acquisitions.

First half operating income was $17.7 million, 31.3 percent better, with net income of $13 million, compared with $7.2 million in last year's first half.

Both first half periods include extraordinary gains.

Six-month sales are $1.45 billion compared with $1.37 billion last year.

Record qtr. for Cardinal

DUBLIN, Ohio — Gains in market share and improved operating cost ratios tell the story at Cardinal Distribution for the second quarter, which saw record sales and earnings.

Sales hit $365.7 million, a 28 percent gain from last year, as net income in the quarter ended Sept. 30 was $5.3 million, up 42 percent.

For the first six months, sales are up 35 percent to $711 million, and earnings, at $10.1 million, are 44 percent higher than in the comparable period last year.

Robert Walter, chairman and ceo, said that the company's growth will continue; Cardinal on Oct. 15 completed the purchase of its lastest buy—Chapman Drug of Knoxville.

Bindley has record 3rd qtr.

INDIANAPOLIS — Bindley Western achieved record third-quarter and nine-month results. William Bindley, chairman and ceo, said that in the third quarter ended Sept. 30, the wholesaler changed to FIFO from LIFO.

The change in accounting will allow the company to better take advantage of purchasing opportunities year-round.

"Specifically, in previous years, in order to meet acceptable LIFO inventory levels, the company reduced its inventory by as much as $100 million in the third and fourth quarters. Often this was done at the expense of missed buying opportunities and forced sales at less-than-acceptable margins," Bindley said.

Sales for the quarter ended Sept. 30 were $588 million, 13 percent better, as net earnings were $2.8 million compared to $2.2 million.

Nine month sales increased 17 percent to $1.68 billion. Earnings were $8.47 million for the nine months, 21 percent better than in last year's comparable period.

Bindley said that, in the quarter, the wholesaler was still absorbing costs from expanding direct store delivery sales. Sales in the higher-margin segment increased 35 percent, accounting for 20 percent of total sales.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N. Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1991 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 13, No. 21 Nov. 25, 1991

MARKET DIARY:

Largest Dollar Gainer	Rhone-Poulenc Rorer	$ 7.75	Advances	34
Largest Dollar Loser	Barr Laboratories	$ −12.63	Declines	25
Largest Percentage Gainer	ICN Pharmaceutical	81.54%	Unchanged	0
Largest Percentage Loser	Barr Laboratories	−35.69%	New highs	18
			New lows	4

	Close 10/29/91	Close 11/12/91	Net Change	Percent Change
Drug Store News Index	4428.58	4560.66	132.08	2.98
Dow Jones Industrial Average	3061.94	3054.11	− 7.83	−0.26
Standard & Poor's 500-Stock Index	391.48	396.74	5.26	1.34
N.Y.S.E. Composite	215.58	219.00	3.42	1.59
Value Line Index	241.30	245.66	4.36	1.81

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 10/29/91	Closing Price 11/12/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc. (L)	ACCU	3.88	3.72	− 0.16	− 4.03	—	0.00	0.00	6.88	3.72
OTC	Arbor Drugs (H)	ARBR	21.75	21.00	− 0.75	− 3.45	24	0.12	0.57	22.50	11.38
OTC	Big B	BIGB	12.75	11.88	− 0.88	− 6.86	20	0.16	1.35	14.50	5.88
OTC	Drug Emporium (L)	DEMP	7.00	6.13	− 0.88	−12.50	88	0.12	1.96	9.63	5.75
NYS	Fay's Inc.	FAY	11.13	9.00	− 2.13	−19.10	13	0.20	2.22	15.75	7.50
ASE	Genovese Drug (H)	GDX.A	14.38	14.00	− 0.38	− 2.61	16	0.24	1.71	14.63	5.00
NYS	Longs Drug Stores	LDG	37.13	37.88	0.75	2.02	13	1.08	2.85	44.38	30.88
OTC	Medicine Shoppe	MSII	24.38	25.63	1.25	5.13	21	0.32	1.25	28.75	15.50
NYS	Perry Drug	PDS	8.13	8.38	0.25	3.08	209	0.00	0.00	8.50	3.75
NYS	Rite Aid Corp.	RAD	20.88	19.50	− 1.38	− 6.59	14	0.48	2.46	23.88	16.63
NYS	Walgreen Co.	WAG	33.75	33.50	− 0.25	− 0.74	21	0.52	1.55	35.88	24.38
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	21.13	20.63	− 0.50	− 2.37	14	0.40	1.94	26.19	19.69
OTC	Bindley Western Ind.	BIND	17.13	18.13	1.00	5.84	14	0.04	0.22	18.25	10.13
OTC	Cardinal Distribution	CDIC	30.50	32.38	1.88	6.15	28	0.04	0.12	38.75	18.81
OTC	Durr-Fillauer	DUFM	23.50	23.25	− 0.25	− 1.06	16	0.28	1.20	34.75	20.25
NYS	McKesson Corp.	MCK	38.25	37.63	− 0.63	− 1.63	15	1.60	4.25	40.13	29.13
ASE	Moore Medical (L)	MMD	4.38	4.13	− 0.25	− 5.71	—	0.00	0.00	9.25	3.00
NYS	Owens & Minor (H)	OMI	22.38	23.00	0.63	2.79	26	0.20	0.87	24.25	8.59
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	58.50	61.38	2.88	4.91	25	1.00	1.63	61.38	39.25
NYS	American Home Products (H)	AHP	74.25	77.38	3.13	4.21	18	2.60	3.36	77.38	46.50
ASE	Barr Laboratories	BRL	35.38	22.75	−12.63	−35.69	40	0.00	0.00	37.50	7.38
NYS	Baxter International (H)	BAX	37.00	39.25	2.25	6.08	20	0.72	1.83	39.25	25.63
OTC	Block Drugs Co. (H)	BLOCA	56.50	59.50	3.00	5.31	19	0.88	1.48	60.00	32.38
ASE	Bolar Pharmaceutical	BLR	6.50	5.75	− 0.75	−11.54	—	0.00	0.00	8.50	1.88
NYS	Bristol-Myers Squibb	BMY	84.50	84.25	− 0.25	− 0.30	22	2.40	2.85	87.88	61.13
NYS	Carter-Wallace (H)	CAR	106.88	109.88	3.00	2.81	37	1.00	0.91	113.00	51.13
ASE	Columbia Labs (H)	COB	8.63	8.75	0.13	1.45	—	0.00	0.00	9.63	4.00
ASE	Forest Labs	FRX	35.88	37.25	1.38	3.83	37	0.00	0.00	43.63	21.50
ASE	Halsey Drug (H)	HDG	6.88	7.88	1.00	14.55	36	0.00	0.00	8.25	2.25
NYS	ICN Pharmaceutical (H)	ICN	8.13	14.75	6.63	81.54	—	0.00	0.00	14.75	2.50
ASE	Lee Pharmaceutical	LPH	0.81	1.25	0.44	53.75	—	0.00	0.00	2.25	0.81
ASE	Leiner P. Nutrition	PLI	13.50	13.38	− 0.13	− 0.93	13	0.00	0.00	13.88	7.13
NYS	Lilly Eli Co.	LLY	74.88	76.75	1.88	2.50	18	2.00	2.61	85.13	66.00
NYS	Marion Merrell Dow	MKC	29.06	31.38	2.31	7.96	16	0.92	2.93	39.63	27.25
NYS	Merck Co. (H)	MRK	133.38	139.75	6.38	4.78	27	2.52	1.80	139.75	82.00
NYS	Mylan Labs (H)	MYL	36.00	38.13	2.13	5.90	39	0.20	0.52	38.63	17.13
OTC	Nutramax Products (H)	NMPC	7.63	8.63	1.00	13.11	25	0.00	0.00	8.75	0.88
NYS	Pfizer Inc. (H)	PFE	70.00	70.88	0.88	1.25	27	1.32	1.86	72.38	36.75
NYS	Pharmaceutical Resources	PRX	3.88	3.75	− 0.13	− 3.23	—	0.00	0.00	5.88	2.63
NYS	Rhone-Poulenc Rorer (H)	RPR	50.75	58.50	7.75	15.27	22	0.48	0.82	58.50	30.38
NYS	Schering Plough (H)	SGP	59.75	64.75	5.00	8.37	22	1.32	2.04	64.75	40.75
NYS	Syntex Corp.	SYN	43.38	42.88	− 0.50	− 1.15	23	0.92	2.15	47.88	26.88
OTC	Taro-Vit Industries (H)	TAROF	5.50	5.63	0.13	2.27	43	0.00	0.00	6.50	2.25
OTC	Teva Pharmaceutical Ind.	TEVIY	16.63	17.50	0.88	5.26	18	0.16	0.91	20.25	10.50
NYS	Upjohn Co.	UPJ	43.25	43.88	0.63	1.45	16	1.36	3.10	49.25	34.75
NYS	Warner-Lambert	WLA	74.25	73.25	− 1.00	− 1.35	18	1.76	2.40	82.25	61.75
OTC	Zenith Labs	ZENL	16.00	15.50	− 0.50	− 3.13	78	0.00	0.00	23.25	5.00
Other retailer transactions											
NYS	Albertson's	ABS	37.13	36.38	− 0.75	− 2.02	20	0.56	1.54	51.38	31.50
NYS	American Stores	ASC	37.88	38.00	0.13	0.33	10	0.68	1.79	46.19	22.25
NYS	Giant Food	GFS.A	23.50	23.63	0.13	0.53	12	0.64	2.71	31.25	21.75
NYS	Great Atlantic&Pacific Tea (L)	GAP	30.75	29.38	− 1.38	− 4.47	10	0.80	2.72	57.75	28.63
NYS	Kmart	KM	43.13	43.00	− 0.13	− 0.29	11	1.76	4.09	49.50	25.63
NYS	Kroger	KR	18.38	19.00	0.63	3.40	13	0.00	0.00	24.50	12.13
NYS	Melville Corp.	MES	44.63	44.00	− 0.63	− 1.40	14	1.44	3.27	55.25	37.50
OTC	Fred Meyer	MEYR	21.00	23.75	2.75	13.10	15	0.00	0.00	24.75	10.75
NYS	Penney, JC	JCP	49.88	52.00	2.13	4.26	15	2.64	5.08	58.25	40.63
NYS	Safeway	SWY	18.38	18.25	− 0.13	− 0.68	14	0.00	0.00	21.63	11.25
NYS	Smith's Food & Drug	SFD	35.38	38.38	3.00	8.48	24	0.36	0.94	43.75	26.75
NYS	Wal-Mart	WMT	47.50	50.88	3.38	7.11	39	0.16	0.31	51.88	28.50

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

The newspaper of drug store retailing

December 9, 1991

DRUG STORE NEWS

Vol. 13 No. 22

A Lebhar-Friedman publication

Walgreens, Wal-Mart pitch battle tents in P.R.

By Delinda Karle

SAN JUAN, Puerto Rico — Drug stores here are gearing up for an all-out battle next year when Wal-Mart opens its first three stores in Puerto Rico.

Calling Wal-Mart their biggest threat in nearly a decade, drug stores are scrambling to beef up customer service and promote their strengths in prescriptions, over-the-counter drugs and cosmetics.

Walgreens, a leader in the market, also plans to urge the Puerto Rican government to deny pharmacy permits for certain Wal-Mart stores. Other druggists said they may join suit. *(See coverage of Walgreens' prototype rollout, page 6.)*

The flurry of activity underscores the huge challenge Wal-Mart presents in this highly competitive retailing market.

"Either we lose customers, someone else loses customers, or Wal-Mart doesn't survive," said Saleh Yassin, president of El Amal Pharmacies, a locally owned, eight-store

See **Wal-Mart** *page 89*

Drug store leaders in Puerto Rico

Chain	Stores
Farmacias Moscoso	35
Walgreens	29
Farmacias Gonzalez, Inc.	13
Farmacias El Amal	9
Farmacias Plaza	7

Source: *Drug Store News* research.

RDS files Chapter 11

Al Towle, president and ceo of RxPlus, steps down as parent RDS files for Chapter 11 bankruptcy protection just 14 months after buying its first stores from Revco.

By David Vaczek

PHOENIX — RDS Acquisition Corp., owner of RxPlus Drugs, has filed for Chapter 11 protection, and Al Towle, president and ceo, has resigned, the company said.

The Nov. 25 filing in Federal Bankruptcy Court in Phoenix covers 131 drug stores under the RxPlus and Revco Drug names in Arizona, New Mexico, Texas and Colorado. It doesn't include SRX Acquisition Corp., a separate company that RxPlus management formed to buy and operate 17 former SupeRx stores in Arizona.

The petition seeks to convert to Chapter 11 a petition for involuntary Chapter 7 filed in late October by three of RDS's vendors, who claim they're owned $150,100 between them. RDS was more than 90 days late in paying them, the company admitted.

Towle's resignation was then announced on Nov. 21 by RDS Acquisition Corp's. board of directors. He is replaced as president and ceo by Robert Oberfield, who had been senior vp-operations and administration.

"We took this necessary step (the Chapter 11 filing) in the best interest of our customers, our associates, and our vendors. The stores are open, our pharmacists continue to be prepared to fill our customers' prescription needs," said Oberfield, adding

See **RDS** *page 89*

Perry Chicago gets a remake

Less than a month after their buyout of 16 former Perry drug stores in Chicago, the new owner-managers are waist-deep in efforts to overhaul the operation and make it a thriving niche player in touch with consumers.

By James Frederick

ROLLING MEADOWS, Ill. — The excitement of chain drug store retailing isn't dead; it's alive and well in a small suite of storefront offices outside Chicago. The offices—and the Perry drug store undergoing transformation next door—seem charged with the entrepreneurial spirit that all merchants crave in their heart of hearts.

At the center of the storm are the owner-managers who spearheaded the purchase of 16 former Per-

See **Former** *page 89*

LATE NEWS

• **ROCHESTER, N.Y. — ALP/Freddy's has named John Massaua executive vp-marketing and merchandising, a new position. Massaua, a founding officer of Staples office supply chain, will coordinate all purchasing, advertising and merchandising activities for the newly combined off-pricers.**

• **DEERFIELD, Ill. — Walgreen Co. has launched a nationwide overnight prescription delivery service. Consumers can call a toll-free number for next-day deliveries.**

• **NEW YORK — Chain Drug Marketing Associates has named Michael Shoor as buyer for HBA and cosmetics, and as manager of member services. Shoor was a merchandise manager at S.E. Nichols.**

FEATURES

Retailer-vendor partnering report

Drug Store News features this primer on developing collaborative relationships for mutual growth.
Page 77.

Nielsen reviews drug store retail

A look at the industry's economic environment, sales and inventory trends and merchandising.
Page 43.

SECOND CLASS

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

Top brands dominate in tough times

No doubt this recession has pressed consumers' wallets unmercifully and has given some people pause before spending their hard-earned money on their preferred brands, but bargain hunting goes just so far.

That much is clear from findings of this exclusive *Drug Store News* Third Annual Consumer Brands Preference Study, which shows that leading brands in HBA, cosmetics and general merchandise are dominant forces in drug, discount and food stores—even in a tough 1991.

Consumers act on their perceptions of brand quality and inherent value. Brand name mystique may play a role in turning customers' heads.

Habit may be a factor. Promotion is certainly a key element. Yet, this survey clearly shows that price is less a motivating force in the brand purchase.

Whatever the buying motive, shoppers feel committed to their favorite brands, whether they be in cough/ cold, deodorants, mass merchant cosmetics lines or any of the 32 categories surveyed.

More switching, less sale buying

Two significant trends emerge when comparing this year's survey results against last year's results. In virtually every category, consumers are more willing to switch brands if their favorite is out of stock. Yet, somewhat surprisingly, fewer purchases are being made on sale. People seem to substitute for reasons other than price, such as out-of-stocks.

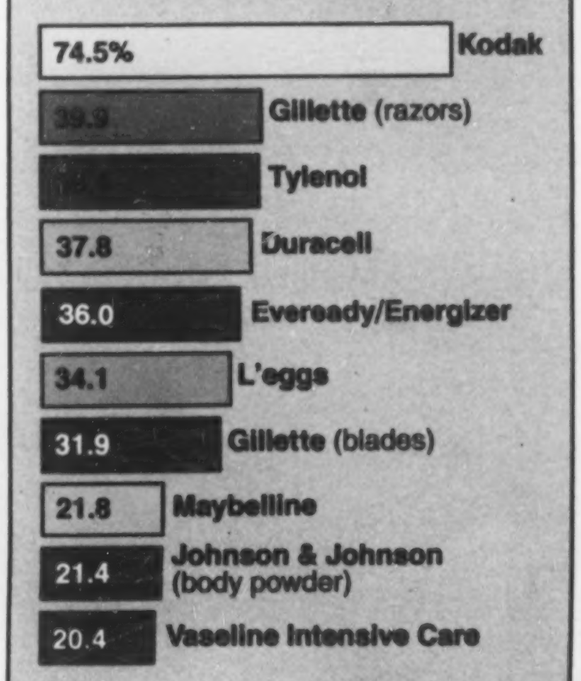
In many categories the difference is stunning. For example, 29 percent bought men's hair spray on sale in 1991, compared with 45 percent in 1990. In hand and body lotions, 36 percent bought sale items, compared with 42 percent in 1990. In suntan lotions, batteries, hair color, eye shadow and aspirin—all were purchased less often during sales this year than last by significant margins.

One possible reason: the growing prevalence of everyday low pricing, and the store growth and market maturity of the major deep discount drug chains and discount department stores such as Wal-Mart. Another reason is that pricing

Continued on page 13

CONSUMER BRAND HEAVYWEIGHTS

(Brands preferred by at least 20 percent of consumers within their categories)



Source: Leo J. Shapiro and Associates.

NEWS IN BRIEF

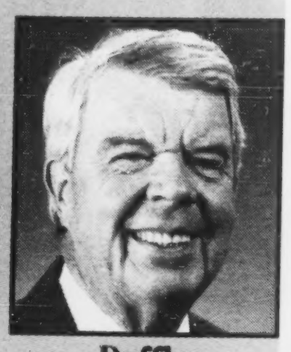
Dot opens first new unit since buyout

LENEXA, Kan. — Dot Drug Stores took the wraps off its first new store since the chain was acquired nearly two years ago from Wal-Mart Stores by a new set of owner-managers. The store opened in the fast-growing Kansas City suburb of Blue Springs, Mo. Nov. 29 with appearances by Kansas City Chiefs cheerleaders, major product giveaways and other grand-opening draws.

The store, located in a former United supermarket, is the largest among Dot's 14 units at 33,800 square feet. It lifts Dot's store count in the metropolitan Kansas City market back to five stores following the closing earlier this year of an older unit on Vivien Road.

Urquhart, Duffley co-chair Marketplace

Urquhart

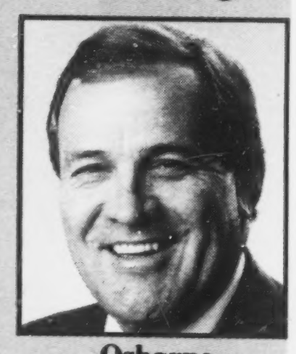


Duffley

ALEXANDRIA, Va. — Margaret Urquhart, president of Wellby Super Drug Stores, and Paul Duffley, vp trade development, Pepsi-Cola, have been named co-chairmen of the NACDS Marketplace Conference Committee.

The Marketplace meeting, a major retail trade show now in its sixth year, will be held June 28-July 1 at the New Orleans Convention Center. Marketplace 1991 was the largest meeting in NACDS' 58-year history, with more than 2,500 registrants and over 426 booths.

Osborne made Pay Less vp-marketing



Osborne

WILSONVILLE, Ore. — Vincent Osborne has been named vp-marketing at Pay Less. He will head the chain's new marketing department and will work closely with the merchandising, advertising and store operations departments to develop coordinated sales and marketing efforts.

Osborne was previously vp-marketing and advertising for Silk Greenhouse in Tampa. He worked for several years at Ames Department stores in a similar position.

Med Shoppe starts Canada franchise

ST. LOUIS — Medicine Shoppe, Intl. has signed a master franchise agreement to bring its pharmacies to Canada. The master franchisee, a group of entrepreneurs, will launch the effort in Edmonton with the opening of three company-owned stores, and then begin franchising.

In August, Medicine Shoppe moved out of the United States for the first time with a master franchise agreement for development of stores in Taiwan.

Barry Katz is the chairman of the Canadian franchise. Katz is also chairman of Value Drug Mart, a co-op chain of 60 full-line drug stores in Alberta and British Columbia.

Van Gardener, the president, is a pharmacist who owns three Value Drug Marts, and Daryl Katz, vice president, is an attorney.

IN THIS ISSUE

FEATURES

Walgreens prototype pictures 6
Consumer Brands Preference Study 13
Nielsen Report 43
Stationery focus 63
Retailers gain power in vendor partnering 77

COSMETICS AND FRAGRANCES

Beauty Beat 36
Category in Motion 36,40

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Store Manager Training 61
Finance 90

Bindley weighs purchase of New England-based Goold

INDIANAPOLIS — Bindley Western Industries has signed a letter of intent to purchase Portland, Maine-based wholesaler J.E. Goold & Co.

In the letter, Bindley Western, one of the largest wholesalers in the United States with 1990 sales over $2 billion, proposed acquiring all outstanding shares of Goold's common stock in an exchange of stock. The transaction would be accounted for as a pooling of interest.

No definitive agreement has yet been set, and will be subject to numerous conditions. "The acquisition is still in the letter of intent stage and will probably not close until early in 1992," William Bindley, chairman and ceo of Bindley Western, told *Drug Store News*. He would not disclose the figures being discussed in the acquisition of Goold, which had sales of $180 million in fiscal year ended August 1991.

Bindley felt the proposed acquisition would bring some efficiencies in the Northeast: "We have a distribution center in Brockton, Mass., but we do not service Vermont, New Hampshire or upstate New York. Goold has most of its accounts in the area and has a strong presence with independents, something we want to add to our operations."

The acquisition of Goold would extend Bindley Western's reach from the tip of Maine to southern New Jersey, covering the entire New England area.

Moreover, said Bindley, "we don't have a really good home health care operation and we hope to draw from their's."

If the acquisition becomes final, Bindley said he plans to keep the Goold name and personnel and expects the assimilation of Goold's operations into the Bindley Western network to be smooth because of similarities in data processing systems and marketing strategies.

Rite Aid makes forceful move on 3rd-party

SHIREMANSTOWN, Pa. — Joel Feldman, formerly Rite Aid's assistant vp-third party sales, got more than the average title change with his recent promotion to vp.

The move to change Feldman's new title to vp-managed care services is an effort by Rite Aid to send a message to managed health care providers that the chain is not merely eager to gain more third party business. Rite Aid is aggressively marketing the service aspect it provides to third party administrators.

The marketing effort is being made to show third party administrators that Rite Aid looks at contracts as relationships, not just as new business, according to Amy Lilly, manager of corporate communications. Third party, according to Lilly, is the fastest-growing segment of Rite Aid's business.

"We wanted to put more emphasis on the fact that we are assisting third party administrators to contain costs," said Lilly. "Joel's job has always entailed more than just selling our program. His new title now reflects that."

Pharmacy promotions

In a related development, Mark Fogg, formerly Rite Aid's assistant vp-pharmacy operations, has been promoted to assistant vp-third party pharmacy services. Gregg Montgomery was promoted to vp-pharmacy operations from assistant vp-pharmacy operations. Both Fogg and Montgomery will report to Alex Schamroth, executive vp-pharmacy operations.

Buyers eye SHOPA as Thalheim B-T-S attendance thins

By Barbara White

CHICAGO — Many buyers who were faced with tight budgets and two stationery-home office shows in late-'91 skipped Thalheim's Back-to-School Show here in favor of the upstart SHOPA (School and Home Office Products Association) show in New Orleans.

SHOPA was created last year as a splinter group determined to hold its show in December, a more advantageous buying time for the industry. Thalheim, in a belated consideration of its traditional February show in New York, moved up its show to Nov. 12-14 in Chicago.

Chris Michel, of New Orleans-based K&B, was at the Thalheim show. He said: "I planned to attend both shows this year to give them a fair shot so that I would decide which to attend in 1992. I did have success with vendors at the Chicago show, but it's clear that SHOPA will be the show that's best for me to attend next year."

Patrick Faye, Walgreens' buyer, also attended the Chicago show and will attend this month's SHOPA as well. He's not sure about his '92 plans yet, but noted that "the lack of support by major manufacturers seemed to take the excitement and enthusiasm out of the show."

Mead, Binney & Smith, Borden and Stuart Hall were a few of the big guns missing from the show floor in Chicago. The manufacturers who decided to stick with the Thalheim show were disappointed that buyers were scarce. Some sent members of their sales force home early; a few even packed up their booths before the show's end.

Mark Welfley, marketing communications manager, Pentel of America, said, "We met with maybe 10 qualified buyers, most of them from the Chicago area."

Henry Dicker, show manager, Thalheim Expositions, said that he, too, was disappointed with the show's attendance. "We were as disappointed as the exhibitors. We've had a commitment to this industry for 10 years and we made every effort to promote this show," he said. "People were looking for a February trade show where the aisles were packed, and they didn't get that."

No cross section

Dicker says cross traffic has come in past years from the February Toy Fair in New York. "The 600 major buyers we usually had in New York in February were camouflaged by the other 11,000 buyers who were in town for the toy show," he said. "At this show we had a cross section of buyers, but certainly not what we had anticipated."

Nor was it what manufacturers expected. "We were extremely disappointed with the show and the representation of buyers at the show," said Mike Carey, director of marketing, Labelon Corp.

Gregg Gittens, vp-sales at Labelon, said he was unable to get a list of buyers expected to attend the show from Thalheim. "We weren't able to get a list before the show, and at the show we got a long list of buyers who never attended," he said.

Dicker said Thalheim is reviewing its plans for next year's show, which will return to New York Nov. 13-15. "We have to look at what we will do, but we're around for the long haul," Dicker said.

However, said John Linster, general manager, Avery Dennison: "We don't plan to attend next year. This was the last straw."

Partnering can lead to better consumer value

IN THE MARKET
BRUCE BUCKLEY

It's been a tough year. Drug stores may have fared better than other retail trade classes that are more dependent on discretionary consumer dollars, but it has been no picnic. Consumers are still hunkering down, even if we have reached the beginning of a new upswing, as many economists say.

Value is the operative word today. The cobwebs may have accumulated on their wallets, but consumers will still spend when confronted with the right combination of quality and price. That's as true today for drug store retailers as it is for automobile dealers and apparel merchants.

Win Weber's thought-provoking special section on retail-vendor partnerships in this issue speaks strongly to the issue of value. What Weber is essentially saying is that if—big if—retailers and vendors can lower their defenses, they can burn the fat out of distribution costs and provide better value to consumers.

Lower costs and better value lead of course to greater sales, which in turn fuels more growth, and so on. Neat scenario, and easier to say than to do in today's superheated retail climate. But it does start with alliances.

Interestingly, drug chains probably begin with a headstart over supermarkets in the partnership arena. That's according to Ron Peterson, Eckerd's executive vp, who has viewed the process from both sides of the fence. He says the suspicion index is much higher in the food industry, where he spent many years as an executive at Jewel Cos. before coming to Eckerd several years ago. What makes drug chains stronger in the alliance area, Peterson told me, are the relationships they have developed at NACDS with associate members.

His observation makes sense. NACDS has long fostered a collegial atmosphere among retailers and suppliers, and today under Ron Ziegler the ties are stronger than ever. Collegial may sound too ivy-covered for the occasionally barefisted give and take among chain drug retailers and their suppliers, but I mean it in the sense of colleagues equally empowered, sharing information and making decisions together.

And in the end it does all come down to sharing information and power, as Win Weber points out in his timely article.

* * *

Eckerd has been much in the business news these days, with its bids for Revco. Less in the media's eye has been the chain's generally strong performance in an economic climate that, as noted above, has not exactly been a picnic. Eckerd's LBO continues to be a model of soundness. Reasonable growth goals are being met, even as retail site developers find themselves in a long-lasting drought. The contests with low-price behemoths like Wal-Mart and Phar-Mor have left a hard edge, along with the understanding that finding the right niche is the only answer to the ongoing assaults.

Finding that niche isn't hard; it's the execution that's tough. And when you're dealing with close to 40,000 associates across a wide swath of the U.S., it's doubly difficult. I like the spirit of helpfulness I recently saw in Eckerd stores, even when I wasn't accompanied by someone from headquarters. I like the look of the stores. I like the ads they run on television showing real Eckerd pharmacists (not actors) reacting to patients. There's not much I didn't like.

If I were a reviewer, I'd give the act four stars. Go see it.

Congress' plan could cost drug stores more

WASHINGTON PERSPECTIVE
KEN RANKIN

Over the past few weeks, a pair of major new drug "reform" proposals were unveiled by Congress and the administration—initiatives that their proponents hope will significantly reduce the cost of prescription medicines throughout the country.

But while they share the same basic objective—lower prescription prices—the alternatives advanced in Congress and at the White House couldn't be more different.

For his part, Senate Aging Committee Chairman David Pryor (D-Ark.) has introduced legislation aimed at forcing pharmaceutical manufacturers to avoid price increases that exceed the annual rise in the Consumer Price Index of inflation.

Pryor, the Congressional godfather of the current Medicaid rebate law, is far from happy with how that particular prescription cost containment scheme is working.

Although drug manufacturers are grudgingly agreeing to offer Medicaid their "best prices," they are achieving that end by raising pharmaceutical prices to institutions which previously enjoyed deep discounts from the industry.

These discriminatory pricing practices have always irritated the drug store industry, and no retail druggists should lament their passing. But increases in the discriminatorily low drug prices available to hospitals haven't produced any reductions in pharmaceutical prices to drug stores.

If anything, drug prices to retailers may be rising even faster now as manufacturers maneuver to offset forced price cuts to Medicaid.

Pryor's latest solution involves more cost-containment tinkering. This time he wants to blackjack manufacturers into holding the line on prices by eliminating the Section 936 (Puerto Rican) tax credit for companies who raise drug prices faster than the overall CPI.

Additionally, Pryor's bill would create a new federal bureaucracy—the "Prescription Drug Policy Review Commission"—whose sole job would be to come up with new ways to tweek the pharmaceutical industry (e.g. compulsory licensing or reduced patent protection for manufacturers who charge "too much" for pharmaceuticals).

Not surprisingly, the Pharmaceutical Manufacturers Association has denounced Pryor's plan as "another short-sighted health care cost containment measure" that could backfire by discouraging research and development of new drugs able to significantly reduce the nation's health costs.

In contrast, the Bush Administration's plan seeks to lower the cost of prescription drugs by making the process for approving new prescription products more efficient.

By streamlining the Food and Drug Administration's lead-footed pre-market reviews of New Drug Applications, the President's Council on Competitiveness hopes to significantly reduce the current 12-year process for clearing pharmaceuticals for safety and effectiveness.

If important new drugs can be brought to market six months or a year faster, manufacturers will have substantially more time to recoup their enormous ($231 million per drug) R&D investment, and the price of new pharmaceuticals should be measurably lower.

DRUG STORE NEWS®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Pharmacy Editor **Dienne Tharp, R.Ph.**
Senior Editor **David Vaczek**
Desk Editor **Carol Kearney**
Assistant Desk Editor **Fred Rueckher**

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Art Director **Bob Brokman**
Graphic Artist **Maryellen Seery**

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Nat'l Accounts Manager **Larry Krongold**
N.Y. Area Manager **Dan Began**
N.Y. Area Manager **John Kanion**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Office Manager: **Angela Ftaras**
Chicago 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
Area Manager: **Maggie Kaeppel**
Office Manager: **Beverly Wendtland**
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, (213) 464-8321
Office Manager: **Maureen Jackson**

Group Circulation Director
Matthew J. Clancy, Sr.
(3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746)
Nat'l Director of Field Marketing & Circulation Services **Jim Dickson**
Circulation List Manager **Torry Burdick**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr.
Debbie Rothenberg
Business Manager **Joel Safir**

Board of Advisers

Judie Doherty, McKesson Corp.
Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
John Jennings Brooks Drug, Inc.
Tim McAleer Pay Less Drug Stores NW
Frank Newman F & M Distributors
David Schwartz Smitty's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Finance **James Granato**
VP/Circulation **Martha Pettley**
VP/Publisher **John Rapuzzi**
Director, Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

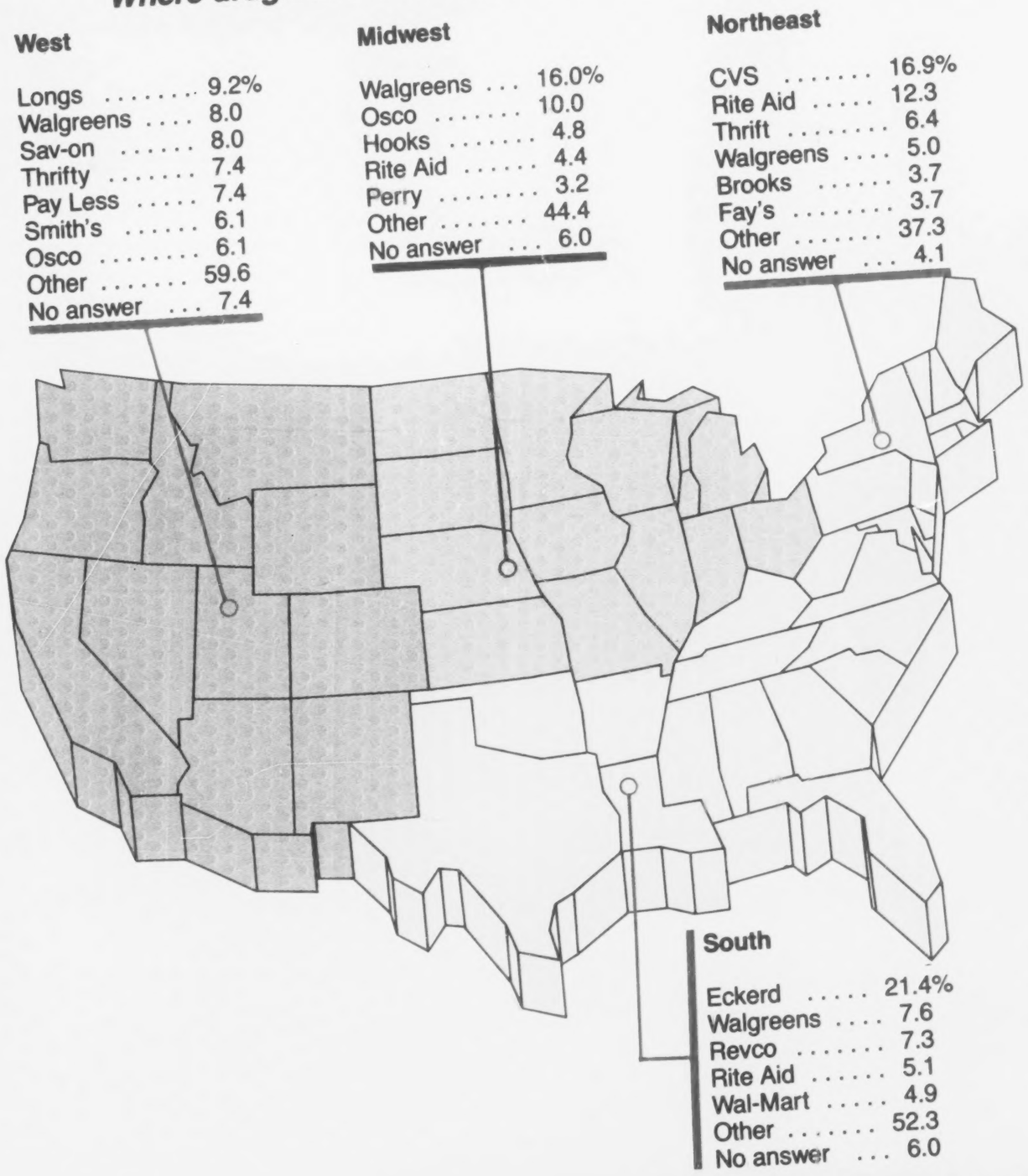
The Audit Bureau · MPA · ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Where drug store consumers shop most, by region



Drug Stores Shopped Most by Consumers

(1,000 primary household shoppers were asked which drug store they shop most often).

Chain	% of respondents	Chain	% of respondents
Walgreens	9.1	Smith's	1.3
Eckerd	7.4	Hook	1.2
Rite Aid	5.4	Kmart	1.1
Osco	3.9	Brooks	0.9
CVS	3.6	Fay's	0.9
Thrifty	3.2	SupeRx	0.8
Revco	3.2	Perry	0.8
Wal-Mart	2.5	Snyder's	0.7
Phar Mor	2.0	Pathmark	0.6
Drug Emporium	2.0	Genovese	0.7
Longs	1.9	Medicine Shoppe	0.6
Peoples	1.9	Rexall	0.6
Sav-on	1.8	Other	34.8
Pay Less	1.5	Not answering	5.9

Source: Leo J. Shapiro and Associates.

Top brands dominate even in tough times

Continued from page 1

is a secondary concern to many of today's convenience-minded shoppers, who have less time to follow ads and shop around.

Brand preferences run heavily through all of the 32 categories surveyed for *Drug Store News* by Leo J. Shapiro & Associates, Chicago. They range from a high of 98.3 percent for film and aspirin/non-aspirin pain relievers, to 86.7 percent (the low reading) for suntan lotion/sun block.

Other categories in which consumers are the most brand-conscious are body powder (97.9 percent have a preferred brand), facial astringent (97.5 percent), women's cologne (96.9 percent), blush (96.5 percent) and cough/cold and makeup foundation (both 96.3 percent).

Consumers act on their perceptions of brand quality and inherent value.

While brands in total capture a majority share of consumers' attention, certain mega-brands draw shoppers like filings to magnets.

Kodak for the second year showed the highest brand loyalty. Also returning to the top 10 are Duracell and Eveready, Gillette (both razors and blades), Tylenol and L'eggs.

Indeed, brand rankings within categories stayed remarkably stable, with rank shifts of more than one placement a rarity. Generic and private label items scored consistently low or not at all.

There were some notable exceptions to the trend of brand preference stability. A.H. Robin's Robitussin jumped to the No. 1 spot with a comfortable five point lead in cough/cold (19 to 14 percent), outdistancing Vicks, which tied it last year. Nyquil, another Richardson Vick's brand, held third place.

In batteries, Duracell added six points from last year to reach a 38 percent level of mention as a preferred brand. Eveready and Energizer combined for a 36 percent rating.

In the highly fragmented hair care business, Helene Curtis' Finesse vaulted from the No. 9 position last year to the No. 2 spot in this study, preferred by 4 percent of respondents. It trails Helene Curtis's Suave, a price brand which picked up 9 percentage points itself.

In women's cologne, Estée Lauder gets a whiff of first place with 7 percent level of mentions as a preferred brand, and unseats Avon, at 6 percent.

The switching may indicate that consumers feel they can buy comfortably from an acceptable group of brands within certain categories. Some examples: batteries, where 86 percent facing an out-of-stock say they would substitute; nail polish, 82 percent; shampoo, 73 percent, down to the bottom of the range in makeup, 48 percent; contact lens solution, 47 percent; and hair color, 43 percent.

Significant shifts in outlet preferences didn't surface in this study. Drug chains retained the lead often in such categories as cosmetics, by emphasizing the mass market brands women prefer and by merchandising them effectively in the store.

In nail polish, for example, most women bought a mass market brand such as Cover Girl and Maybelline in the last year (with the exception of Avon, the direct sale brand that came in second). More bought nail polish in a drug store than any other outlet, 37 percent. Only 25 percent purchased in discount stores, and 8 percent in food stores.

Consumers name their favorite brands

(Shoppers were asked which brand they would buy in each category)

Deodorant
Secret
Mennen
Ban

Shampoo
Suave
Pert
Head & Shoulders

Conditioner
Suave
Finesse
Nexxus, White Rain (tie)

Hand or Body Lotion
Vaseline Intensive Care
Jergens
Avon

Facial Moisturizer
Oil of Olay
Avon, Ponds (tie)
Mary Kay

Facial Astringent
Sea Breeze
Clinique, Mary Kay (tie)
Avon, Noxzema (tie)

Suntan lotion or sun block
Coppertone
Hawaiian Tropic
Johnson & Johnson, Bain De Soléil (tie)

Aspirin or non-aspirin pain reliever
Tylenol
Bayer
Advil

Cold or cough medicine
Robitussin
Vicks
Nyquil

Contact lens solution
Bausch & Lomb
Boston
Alcon, Allergan, Barnes & Hind, A-O-Sept (tie)

Laxatives
Ex-Lax
Correctol
Milk of Magnesia, Metamucil (tie)

Batteries
Duracell
Eveready
Energizer

Film
Kodak
Fuji
Polaroid

Razors*
Gillette
Schick
Bic

Razor blades*
Gillette
Schick
Atra

Shaving cream or shaving gel*
Gillette
Edge
Barbasol

Hair spray*
Aqua Net
White Rain
Consort

Men's cologne*
Old Spice
Brut
Obsession, Polo, Jovan Musk, Mennen (tie)

Women's cologne**
Esteé Lauder
Avon
Obsession, Jovan Musk, Gloria Vanderbilt (tie)

Hair spray**
Aqua Net, Rave (tie)
White Rain
Suave

Hair Color**
Clairol
L'Oréal
Nice & Easy

Panty Hose**
L'eggs
No Nonsense, Hanes (tie)
Just My Size

Lipstick or lip gloss**
Avon
Revlon
Cover Girl

Eye shadow or eye liner**
Maybelline
Cover Girl
Avon

Nail polish**
Revlon
Avon
Cover Girl

Foundation**
Cover Girl
Avon, Clinique (tie)
Mary Kay, Maybelline (tie)

Mascara**
Maybelline
Cover Girl
Avon

Pressed powder**
Cover Girl
Avon
Clinique

Blush**
Cover Girl
Avon
Clinique

Facial cleanser**
Noxzema
Mary Kay, Ponds (tie)
Avon, Clinique (tie)

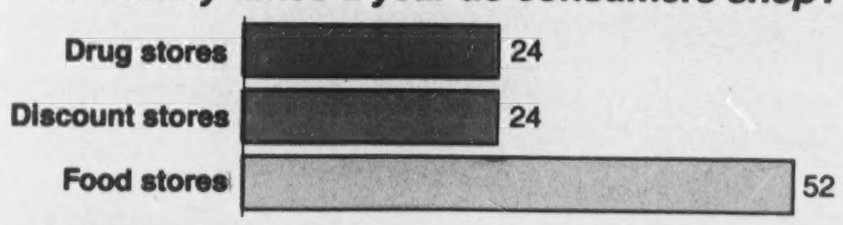
Body Powder**
Johnson & Johnson
Shower to Shower
Avon

Personal care soap**
Dove
Ivory
Dial

** asked of men only*
*** asked of women only*

Source: Leo J. Shapiro and Associates.

How many times a year do consumers shop?



Median figures.

Source: Leo J. Shapiro and Associates.

Mass market brands vital for drug stores

Nail polish and mascara are the two strongest color cosmetic categories for drug store operators, and this may, in part, be due to the fact that most women tend to purchase mass market brands when they buy these categories.

They may also buy more nail polish in drug stores because drug stores have the widest shade assortment and usually merchandise nail color up front in high traffic aisles.

Brand preferences have a real impact on where women buy their products.

According to a consumer survey of brand preferences and purchasing behavior commissioned by *Drug Store News* and implemented by Leo J. Shapiro & Associates, 37 percent of all women who have bought nail polish within the past year did so most recently in a drug store, while 30 percent of women who have purchased mascara in the past year did so last in a drug store.

According to the Shapiro study, 30 percent of women who bought polish in the past year shopped department or specialty stores for their most recent purchases or they bought from a door-to-door salesperson. Another 25 percent made their most recent purchase in a discount department store. Just 8 percent bought polish last in a food store.

Clearly, the visibility of the category makes it a high impulse purchase department for drug stores and shade assortments are important. But, in cosmetics and fragrances, brand preferences have a decided impact on where women actually buy their products.

In a category like nail polish, most women most recently bought a mass market brand within the past year. The one exception was Avon, which ranked second in overall popularity within the nail polish category.

Out of the eight highest

Continued on page 16

Consumer Preferences by Region: Lipstick/Lip Gloss

	Total	North-east	Mid-west	South	West
Revlon	16%	25%	14%	14%	12%
Avon	16	14	15	18	13
Cover Girl	8	5	8	11	7
Clinique	6	9	6	5	6
Maybelline	5	6	5	4	7
Mary Kay	5	1	9	6	4
Estée Lauder	5	2	8	3	7
L'Oreal	3	4	1	5	1

*Based on women who bought lipsticks or lip gloss in the past 12 months.

Source: Leo J. Shapiro and Associates

Consumer Preference by Region: Foundations

	Total	North-east	Mid-west	South	West
Cover Girl	20%	22%	21%	16%	24%
Clinique	9	10	9	9	9
Avon	9	10	9	7	9
Maybelline	8	5	4	10	15
Mary Kay	8	4	9	11	6
Estée Lauder	5	3	6	7	2
Revlon	4	6	2	3	6
Merle Norman	3	0	6	4	2
Almay	3	4	3	4	2

*Based on women who bought foundations in the past 12 months.

Source: Leo J. Shapiro and Associates

No brands clearly dominant in fragrance category

Purchasing Trends in Nail Polish	1990	1991
% of women who have ever used nail polish	60%	59%
% of users who have purchased in the past 12 months	74	74
Last purchased in drug store*	33	37
Purchased on special*	39	37
Have a brand preference*	86	88
Bought preferred brand*	85	87

*Based on women who bought polish in the past 12 months

Source: Leo J. Shapiro and Associates.

Consumer Preference: Nail Polish	Total	North-east	Mid-west	South	West
Revlon	18%	23%	17%	16%	16%
Avon	13	17	13	13	7
Cover Girl	10	6	12	12	7
Sally Hansen	8	8	7	10	5
L'Oréal	8	10	3	6	14
Maybelline	7	4	8	6	9
Cutex	5	3	2	8	3
Wet 'N Wild	4	4	4	6	0

*Based on women who bought nail polish in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Eyeshadow/Eye Liner	Total	North-east	Mid-west	South	West
Maybelline	20%	24%	14%	24%	17%
Cover Girl	14	9	19	17	8
Avon	11	13	11	8	13
Revlon	7	11	3	8	6
Mary Kay	7	0	9	8	9
Clinique	7	5	11	5	6
Estée Lauder	5	3	7	2	8

*Based on women who bought eye shadow or eye liners in the past 12 months.

Source: Leo J. Shapiro and Associates

Consumer Preferences by Region: Women's Cologne	Total	North-east	Mid-west	South	West
Avon	11%	9%	19%	10%	4%
Estée Lauder	7	9	7	7	6
Jovan Musk	4	8	3	2	2
Liz Claiborne	3	4	4	2	2
Lady Stetson	3	0	5	5	0
Vanderbilt	3	2	0	3	7
Obsession	3	2	3	3	2

*Based on women who bought cologne in the past 12 months.

Source: Leo J. Shapiro and Associates

Continued from page 14

ranked nail polish brands in popularity, seven were mass brands with Revlon ranking No. 1 and Cover Girl No. 3.

But in a fragmented category such as women's cologne, there was no mass brand strong enough to show a dominant share. Only three mass brands made it into our most popular ranking.

Four percent of the women who had made a cologne purchase in the past year named Jovan Musk as their most recent purchase; just 3 percent reported they most recently purchased two other mass brands, Lady Stetson and Vanderbilt respectively.

In comparison, 11 percent of women who had made a purchase most recently bought Avon, 7 percent bought Estée Lauder and 3 percent bought Liz Claiborne or Obsession.

The popularity of department or specialty brands even had a major impact in a category like foundations. Even though many women—20 percent—most recently bought a Cover Girl foundation in the past year, such mass brands as Maybelline, Revlon and Almay had to fight stiff competition from department and specialty brands like Clinique, Avon, Mary Kay, Estée Lauder and Merle Norman.

In the last year, 25% of all eyeshadow and eye liner and 27% of all lipstick/lip gloss purchases were made most recently in drug stores.

It's hard for a drug store to control a category when some of the most preferred brands aren't available to this trade class. Only 19 percent of the women who had bought a foundation in the past year purchased it last in a drug store.

Other findings: 27 percent of all lipstick/lip gloss purchases made within the last year were made most recently in a drug store. The two most frequently purchased brands were Revlon and Avon.

Cover Girl and Maybelline were frequently purchased, but both brands are in very wide distribution. In addition to drug stores, women can easily buy them in discount department stores and food stores.

Clinique, Mary Kay and Estée Lauder lipsticks were also frequently purchased, and they're also not available in many drug stores.

Of all eyeshadow and eye liner purchases last year, 25 percent were made most recently in drug stores. And again, the two most frequently purchased brands, Cover Girl and Maybelline, are in many trade class outlets, and the third most popular brand, Avon, is not sold in retail stores but through mail or door-to-door.

In all the cosmetic categories, women reported having very high brand preferences. It's clear that drug store operators and mass market brand manufacturers need to persuade more women that mass brands are as high in quality as department and specialty store brands—and are a much better value.

Consumer Preferences by Region: Mascara	Total	North-east	Mid-west	South	West
Maybelline	28%	28%	20%	31%	32%
Cover Girl	14	13	20	14	9
Avon	9	10	7	10	6
Revlon	6	8	4	5	7
Clinique	5	2	8	6	3
Mary Kay	5	1	9	5	3
Estée Lauder	4	2	5	3	4
L'Oréal	4	2	2	7	2
Almay	3	7	5	2	0
Max Factor	3	2	2	3	3

*Based on women who bought mascara in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Men's Cologne	Total	North-east	Mid-west	South	West
Old Spice	10%	17%	14%	7%	5%
Brut	9	0	4	16	10
Drakkar	8	8	7	7	10
Obsession	6	4	7	9	0
Mennen	5	8	0	5	10
Jovan Musk	5	0	4	5	10
Polo	4	8	4	2	5
Avon	4	4	11	2	0
Stetson	3	0	7	5	0

*Based on men who bought cologne in the past 12 months.

Source: Leo J. Shapiro and Associates.

Purchasing Trends in Lipsticks/Lip Glosses	1990	1991
Lip cosmetics	75%	78%
% of users who have purchased in the past 12 months	82	79
Last purchased in drug store*	26	27
Purchased on special*	36	27
Have a brand preference*	92	91
Bought preferred brand*	88	89

* Based on women who bought a lipstick/lip gloss in the past 12 months

Source: Leo J. Shapiro and Associates.

film cough-cold

Photo dept. has sharp focus on big profits, promotions

The photo processing department is one of the most profitable areas in today's drug store. It's also an effective traffic generator, and one of the most desirable departments to use in promoting and marketing a drug store.

Moreover, 88 percent of all consumers use film. Nine out of 10 of these users have made a purchase within the past 12 months, so film is a very active category—adding to the department's visibility and strength.

It isn't brand-fragmented either, so retailers can comfortably concentrate their advertising and promotions around the three most popular brands: Kodak, Fuji and Polaroid.

The top film manufacturers spend a considerable amount of money each year supporting their respective brands. In recent years, there has been a decided trend toward generating promotions that drive consumers into stores.

Film users are deeply brand loyal: 98 percent of consumers who had bought film in the past year said they had a favorite brand, and 90 percent said they bought that preferred brand the last time they bought film.

The drug store's main competitor for film users' business is discount department stores. The Shapiro study found that 37 percent of the people who had bought film in the past year got it last in a discount department store. Drug stores were the second most frequently shopped trade class, attracting 30 percent of the past year's film purchasers. Food stores captured 20 percent of the most recent purchases.

Price and convenience apparently determine where most people shop for film. Drug stores have the edge with convenience, but to lure business away from the discount department stores, they may have to become more aggressive on price.

An attractive feature price on a popular brand could not only draw more traffic into the stores, it could also enhance the drug store industry's overall share of film sales.

Purchasing Trends in Film

	1990	1991
% of consumers who have ever used film products	85%	88%
% of users who have purchased in the past 12 months	86	85
Last purchased in drug store*	32	30
Purchased on special*	37	33
Have a brand preference*	98	98
Bought preferred brand*	90	90

*Based on consumers who bought film in the past 12 months

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Film

Last brand purchased*	Total	North-east	Mid-west	South	West
Kodak	80%	79%	82%	81%	78%
Fuji	7	6	7	4	11
Polaroid	5	5	6	7	2

*Based on consumers who bought film in the past 12 months

Source: Leo J. Shapiro and Associates.

Drug stores edge out competition in cough-cold and pain remedies

Perhaps because drug stores spend so much of their advertising and promotion budget on prescriptions and remedial products, consumers are more likely to buy remedial products like aspirin and cough/cold medicines in drug stores more than any other trade class.

According to this year's Consumer Brands Preference Study, 55 percent of all cough/ cold users purchased their last formula in a drug store, and 40 percent of all aspirin or non-aspirin pain killer users made their most recent purchase in a drug store.

Food stores are still able to capture a significant share of cough/cold and aspirin/pain reliever sales, and discount stores are also a popular source of supply for these products. However, drug stores are still the dominant purchase outlet.

Indeed, 31 percent of all aspirin/pain killer users who had bought some medication in the past year made their last purchase in a food store, while another 23 percent shopped discount department stores.

And 26 percent of all cough/ cold users who had bought some medication in the past year made their most recent purchase in a food store, while another 15 percent shopped discount department stores.

Heavy favorites

Tylenol is still one of the most heavily advertised brands in the pain killer category, and the result is that it is predictably the brand of choice in today's market: 39 percent of all users who bought a pain killer in the past 12 months most recently bought Tylenol. Bayer and Advil were tied for second place in popularity.

In the cough/cold category, Robitussin dominates, with Nyquil and Vicks tied for second place.

Purchasing Trends in Cough/Cold

	1990	1991
% of consumers who have ever used cough/cold products	73%	77%
% of users who have purchased in the past 12 months	82	73
Last purchased in drug store*	50	55
Purchased on special*	26	22
Have a brand preference*	96	96
Bought preferred brand*	91	85

*Based on consumers who bought cough/cold products in the past 12 months

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Cough/Cold

Last brand purchased*	Total	North-east	Mid-west	South	West
Robitussin	24%	35%	24%	22%	17%
Nyquil	14	12	15	10	22
Vicks	14	12	16	16	9
Triaminic	6	6	5	6	4
Tylenol	5	6	2	7	4
Dimetapp	5	6	4	6	4
Alka Seltzer	5	3	6	5	5
Contac	3	1	2	2	9
Sudafed	2	2	4	1	3
Benadryl	2	1	3	2	1
Comtrex	1	2	1	1	0

*Based on consumers who bought cough/cold products in the past 12 months

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Aspirin/Non-Aspirin Pain Killers

Last brand purchased*	Total	North-east	Mid-west	South	West
Tylenol	39%	41%	38%	42%	33%
Bayer	12	12	10	11	19
Advil	12	12	11	10	17
Generic	5	4	6	4	9
Excedrin	3	2	4	4	1
Anacin	2	4	2	2	2
Nuprin	2	2	3	1	3
Bufferin	2	3	2	2	2

*Based on consumers who bought aspirin or a non-aspirin pain killer in the past 12 months

Source: Leo J. Shapiro and Associates.

Sun care rises at drug stores, while skin care sales need a lift

Although skin and sun care are important core categories for chain drug stores, the Shapiro study has some disturbing implications.

Because of the proliferation of reasonably priced direct-door brands like Avon and Mary Kay, drug stores aren't getting as strong a share of overall skin care sales as they once commanded.

It appears that drug stores are also losing sales to food stores and mass merchandisers, which, in recent years, have been expanding their skin care/sun care sets. Today they sell plenty of popular mass brands as Olay, Vaseline Intensive Care, Pond's, Jergens and Lubriderm.

The result is that in all skin care categories except sun care, drug stores are getting an ever-shrinking slice of this category's sales pie.

For example, only 22 percent of those consumers who purchased a facial moisturizer in the past 12 months actually made their last purchase in a drug store, while only 20 percent of those who purchased a facial astringent in the past 12 months actually bought it last in a drug store.

Similar purchasing trends existed for hand and body lotions and facial cleansers. Only 27 percent of those who purchased a hand and body lotion in the past 12 months bought it most recently in a drug store, and only 23 percent of those who purchased a facial cleanser in the past 12 months bought it last in a drug store.

The one skin care category where drug stores continue to exhibit leadership is sun care: 37 percent of those who purchased a suntan lotion or sun block in the past 12 months did so last in a drug store. And it is almost certainly due to consumers' confusion about benefit claims made by suppliers, and their desire to get advice from a pharmacist or a cosmetician about which formula or SPF is best for them.

But in the commodities categories of skin care like hand and body lotions or personal care soaps, this isn't the case.

Fifty-four percent of all consumers who bought a hand or body lotion in the past 12 months did so in either a food store or discount department store, compared to the 27 percent who bought most recently in a drug store.

Fifty-eight percent of all consumers who bought a personal care soap in the past 12 months did so in a food store; 23 percent did so in a discount department store, and just 11 percent did so in a drug store.

Convenience a plus

It appears consumers are responding to the convenience of one-stop shopping, lower prices, or both when purchasing these categories.

In facial moisturizers or astringents, categories where women still can use assistance sometimes, women are often opting for door-to-door brands like Mary Kay and Avon or for department store brands like Clinique.

Olay and Pond's are definitely two of the most popular facial moisturizer brands in mass market stores, but Avon and Mary Kay, although they don't receive the same massive advertising support as Olay and Pond's, rank in the top five most popular brands. They outranked a number of mass brands and even well-known department store lines like Clinique (trails Avon and is in a neck-and-neck race with Mary Kay), Estee Lauder, Elizabeth Arden, and others.

The findings suggest that women are exhibiting a preference for good quality skin care lines at affordable prices, hence the popularity of brands like Olay, Pond's, Avon and Mary Kay.

They also suggest that women like shopping for skin care items such as moisturizers in comfortable, attractive settings, and they like personalized service, hence the very strong showing turned in by the direct market brands, Avon and Mary Kay.

The skin care category where drug stores continue to exhibit leadership is sun care.

Consumer Preferences by Region: Facial Moisturizers

	Total	North-east	Mid-west	South	West
Oil Of Olay	14%	22%	13%	10%	14%
Avon	9	11	12	7	7
Pond's	8	13	6	9	4
Clinique	6	7	5	5	10
Mary Kay	6	3	6	7	10
Noxzema	6	4	4	10	3
Esteé Lauder	4	1	9	4	4
Neutrogena	2	3	3	2	3

*Based on consumers who bought facial moisturizers in the past 12 months.
Source: Leo J. Shapiro and Associates.

Consumer Preference by Region: Sun Care

	Total	North-east	Mid-west	South	West
Coppertone	22%	26%	26%	21%	17%
Hawaiian Tropic	7	7	9	5	6
Johnson & Johnson	5	6	5	6	0
Bain de Soléil	5	8	3	3	8
Banana Boat	5	2	2	9	4
Avon	4	0	6	5	4

*Based on consumers who bought sun lotion or sun block in the past 12 months.
Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Facial Cleansers

	Total	North-east	Mid-west	South	West
Noxzema	13%	20%	10%	11%	14%
Mary Kay	9	3	12	11	10
Pond's	8	9	9	7	8
Avon	7	7	9	4	12
Clinique	6	7	10	4	4
Sea Breeze	4	4	2	5	2
Oil of Olay	3	3	3	4	2

*Based on women who bought facial cleansers in the past 12 months.
Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Facial Astringents

	Total	North-east	Mid-west	South	West
Sea Breeze	13%	9%	13%	20%	8%
Clinique	11	13	15	8	8
Mary Kay	9	2	11	11	11
Avon	7	13	9	2	8
Noxzema	7	11	2	5	11
Estée Lauder	5	2	11	2	5
Neutrogena	3	2	2	2	5

*Based on consumers who bought facial astringents in the past 12 months.
Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Hand or Body Lotions

	Total	North-east	Mid-west	South	West
Vaseline Intensive Care	25%	24%	19%	28%	28%
Jergens	12	10	14	13	12
Avon	6	5	9	7	3
Lubriderm	5	7	3	3	8
Suave	4	3	5	4	3

*Based on consumers who bought hand and body lotions in the past 12 months.
Source: Leo J. Shapiro and Associates.

hair care

Drug stores give hair care its share of color and style

With few exceptions like hair color and, to a lesser degree, hair styling products, the hair care category has become a commodity category. With so many different trade classes stocking and promoting hair care, consumers have learned to shop where and when it is most convenient for them.

Often they cherrypick stores, looking for the best sales price they can find on the leading brands.

Since hair care has evolved into a commodity category, it isn't surprising that Leo J. Shapiro & Associates found that consumers only infrequently shop drug stores for their basic hair care needs.

For example, only 21 percent of consumers who bought shampoo in the past year bought it most recently from a drug store. Only 20 percent of the consumers who bought conditioner in the last year bought it most recently from a drug store. Just 25 percent of women and 27 percent of men who bought a hair spray in the past year made their last purchase from drug stores.

The only hair care category that clearly remains a drug store specialty is hair color: 34 percent of all the women who bought a hair color product in the past 12 months bought it most recently in a drug store.

Drug stores, of course, have a merchandising advantage in this category. They carry more shade ranges than most other trade classes, and they often have someone in the cosmetics department who can help consumers.

But consumers don't need any special help in choosing products like shampoos, conditioners or sprays. There are certain well-advertised, reasonably-priced brands like Suave, Pert, Pert Plus, White Rain and Finesse that have a relatively large base of loyal brand users, and these are brands that consumers can buy anywhere from a local "Mom and Pop" fill-in corner grocery to the largest super food store.

Some salon brands have also amassed a strong following, especially Nexxus and Paul Mitchell, and these are often only available from hair salons or specialty stores.

Of course, the presence of these brands lessens the demand for mass market brands, and that inevitably has a negative impact on drug stores' share of hair care sales.

Many drug stores have learned to turn this problem into an opportunity, by creating their own professional or prestige hair care department. But it is still hard for drug chains to obtain many salon lines, including Nexxus and Paul Mitchell.

Today, the Paul Mitchell brand has even built up a following with the men's hair care user. Value brands like Aqua Net and White Rain are still very popular with men. But in terms of overall purchases last year, Paul Mitchell ran neck and neck with Clairol hair sprays and Rave hair spray.

One of the strengths of the specialty brands is their innovation. Consumers think of brands like Nexxus and Paul Mitchell as being on the cutting edge of new technology.

Drug store operators might beef up the appeal of hair care departments by identifying and promoting innovative mass brands as they emerge. Pert Plus, Salon Selectives, Colorvive and Frizz-Ease are examples of mass brands that rocketed to popularity because of uniqueness in formulas, packaging or marketing.

The hair care category that clearly remains a drug store specialty is hair color.

Thirty-four percent of all the women who bought a hair color product in the past 12 months bought it most recently in a drug store.

Consumer Preferences by Region: Conditioners

	Total	North-east	Mid-west	South	West
Suave	14%	13%	17%	13%	11%
Finesse	6	7	7	6	5
White Rain	5	6	4	9	0
Salon Selectives	4	3	5	4	5
Nexxus	4	2	4	1	8
Flex	4	4	1	5	4
Vidal Sassoon	3	6	1	2	4
Vo5	3	4	2	5	1
Ivory	3	3	4	3	1
Pert/Pert Plus	3	2	1	4	3
Paul Mitchell	2	2	4	1	4
Perma Soft	2	2	3	2	1

*Based on consumers who bought conditioners in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Women's Hair Spray

	Total	North-east	Mid-west	South	West
Aqua Net	11%	15%	8%	10%	12%
Rave	10	9	12	10	6
White Rain	9	3	12	12	5
Suave	7	12	7	5	8
Paul Mitchell	5	2	8	5	5
Salon Selectives	5	3	4	4	8
Final Net	4	3	2	6	3
Clairol	3	3	2	3	5
Style	3	2	3	2	6
Finesse	3	9	3	2	0
Aussie	3	1	3	4	0
Vo5	2	2	2	3	3

*Based on women who bought hair spray in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Women's Hair Color

	Total	North-east	Mid-west	South	West
Clairol	54%	51%	56%	55%	50%
L'Oréal	22	21	22	19	27
Dark & Lovely	3	3	0	7	0
Revlon	1	0	3	0	5

*Based on women who bought hair color in the past 12 months.

Source: Leo J. Shapiro and Associates.

Consumer Preferences by Region: Shampoo

	Total	North-east	Mid-west	South	West
Suave	12%	10%	13%	14%	10%
Pert/Pert Plus	9	11	6	9	10
Head & Shoulders	7	7	5	8	8
White Rain	5	5	4	8	1
Finesse	5	7	3	5	4
Prell	5	9	6	3	1
Ivory	4	5	3	4	2
Salon Selectives	3	3	5	3	2
Nexxus	3	2	5	0	7
Vidal Sassoon	3	3	2	3	5
Paul Mitchell	2	1	4	1	4

*Based on consumers who bought shampoo in the past 12 months

Source: Leo J. Shapiro and Associates.

1991 Nielsen Annual Review of Retail Drug Store Trends

U.S. Retail Sales By Trade Class (billions)

	Years						First six months			
	1988 sales	% chng	1989 sales	% chng	1990 sales	% chng	1991 1st six months sales	% chng		
Drug and Proprietary	$ 57	6%	$ 63	9%	$ 69	10%	$ 36	11%		
Food stores	327	6	345	6	362	5	182	3		
Auto dealers	372	8	384	3	382	(0.4)	187	(5)		
General merchandise stores	192	5	204	7	212	4	94	2		
Eating & drinking	166	8	174	5	182	5	92	4		
Gasoline stations	108	3	118	9	132	12	63	5		
Hardware & lumber	91	9	93	2	93	0	45	(2)		
Clothing	85	7	91	8	95	4	42	1		
Furniture & appliances	85	9	92	7	93	2	42	(5)		
All others	169	9	179	6	188	5	88	0		
Total U.S. retail sales	$1,651	7	$1,742	6	$1,807	4	$871	1		

Years ending Dec. 31

Source: U.S. Dept of Commerce, Bureau of the Census.

Retail Sales Trends

	Year				First six months		
	1986	1987	1988	1989	1990	1990	1991
Total retail sales (billions)	$1,450	$1,542	$1,651	$1,742	$1,807	$866	$871
% change vs. year ago	5%	6%	7%	6%	4%	5%	1%

Years ending Dec. 31

Source: U.S. Department of Commerce, Bureau of the Census.

THE ECONOMIC ENVIRONMENT

part I

Retail sales trends

The American public is struggling through a tough year. The recession is clearly making life hard for consumers and retailers, and as a consequence, most Americans are eager for 1991 to end, and hopeful that 1992 will signal the birth of better times.

According to the U.S. Dept. of Commerce, U.S. retail sales, for the first half of 1991, were virtually flat, rising just 1 percent to $871 billion versus the comparable period in 1990.

Though drug stores, as a group, were able to generate much stronger growth than other trade classes in the first half of the year, their performance was almost wholly attributable to inflation which drove up the cost of both prescription and OTC drugs.

According to the Commerce Department, drug stores got an 11 percent dollar sales increase for the first half of 1991, bringing them to $36 billion in retail sales for the period.

But driving that growth was a 10 percent increase in the cost of prescription drugs as well a 5 percent increase in the cost of OTC drugs.

Food stores, for the same period, eked out a slight 3 percent increase in retail sales while restaurants and drinking establishments managed just a 4 percent increase.

Their growth was also due to inflation. The Department of Commerce recorded a 4 percent increase in the costs of foods meant for home consumption as well as a 4 percent increase for foods consumed away from home.

The first half was particularly hard for high ticket, durable goods retailers such as auto dealers and furniture and appliance stores. Auto dealership sales and furniture/appliance sales were both down 5 percent for the first half.

In June of 1990, the unemployment rate was at 5.3 percent, reflecting the fact that some 6.7 million Americans were out of work. At the end of June, 1991, the rate had escalated to 6.9 percent, accounting for approximately 8.8 million Americans out of work.

*Consumer Price Index**

	Years						First six months			
	1986	% chng	1988	% chng	1989	% chng	1990	% chng	1991	% chng
Total all items	110	2%	118	4%	124	5%	131	5%	135	5%
Food-at-home	107	3	117	4	124	7	132	7	137	4
Food-away-from-home	113	4	122	4	127	5	133	5	137	4
Medical care	122	8	139	7	149	8	163	9	174	9
Prescription drugs	130	9	152	8	165	9	182	10	195	10
Over-the-counter drugs	118	5	131	6	139	6	146	5	151	5
Physicians services	121	7	140	7	150	7	161	7	168	7
Dental services	121	6	138	7	146	6	156	7	164	7
Hospital room	122	6	143	9	158	11	177	12	192	12
Personal care	112	3	119	4	125	5	130	4	134	4
Housing	111	3	118	4	123	4	129	5	133	5
Fuel oil & other utilities	104	(2)	104	1	108	3	112	4	114	4
Apparel & upkeep	106	1	115	4	119	3	124	5	128	4
Transportation	102	(4)	109	3	114	5	121	6	123	5
Entertainment	112	3	120	4	127	5	132	5	137	5

Years ending Dec. 31

All Urban Consumers, Annual Average. Base 1982-1984 equals 100.

Source: Department of Labor, Bureau of Labor Statistics.

U.S. Retail Drug Store Sales (chains versus independents, in billions)

	Years Dollar Sales 1986	% chng	Dollar Sales 1990	% chng	First Six Months Dollar Sales 1991	% chng
Total drug stores $ sales	$50.3	7%	$67.6	8%	$35.7	8%
Chain drug store $ sales	30.2	7	43.4	9	22.8	8
Independent drug store $ sales	20.0	7	24.4	6	12.8	8
Large independents	11.6	18	17.9	12	9.7	13
Medium/small	8.4	(6)	6.5	(7)	3.1	(6)

Source: Nielsen Marketing Research.

Division of Drug Store Sales By Store Size and Ownership

	Years 1986	1987	1988	First Six Months 1989	1990	1991
Medium/small independents (sales under $500 million)	16.7%	14.5%	12.7%	11.1%	9.6%	8.7%
Large independents (Under $250 million)	23.2	24.3	25.1	25.5	26.4	27.3
Chains	60.2	61.1	62.2	63.4	64.0	64.1
Total dollar sales (billions)	$50.3	$53.5	$57.9	$62.9	$67.8	$35.7

Year ending Dec. 31

Source: Nielsen Marketing Research.

RETAIL DRUG STORE SALES
part II

Division Of Retail Drug Store Sales By Nielsen Retail Marketing Areas

Region	Drug store $ sales (billions)	% chng vs. year ago	1991 share of U.S. drug store sales
Total U.S.	$70.4	8%	100%
New England	4.3	11	6.1
Metro New York	4.1	13	5.8
Albany/Buffalo/Syracuse	2.3	11	3.2
Philadelphia	3.0	10	4.2
Baltimore/Washington	2.7	12	3.9
Pittsburgh	1.7	11	2.4
Cleveland	1.9	10	2.7
Detroit/Grand Rapids	2.9	8	4.2
Indianapolis/Cincinnati/Lexington	3.3	7	4.6
Metro Chicago	2.5	4	3.6
St. Louis/Peoria	1.3	3	1.9
Kansas City/Omaha/Iowa	2.2	8	3.1
Minneapolis/Wisconsin	2.4	7	3.5
Denver Mountains	1.0	(1)	1.4
Virginia/Carolinas	3.7	9	5.2
Florida/South Georgia	5.3	16	7.6
Georgia/Alabama	3.9	14	5.6
Delta States	2.6	(1)	3.8
Albuquerque/San Antonio/Oklahoma	2.0	7	2.8
Dallas/Houston	2.6	8	3.7
Southern California	5.8	3	8.2
Boise/Salt Lake/Phoenix	1.7	9	2.4
Northern California	4.9	2	7.0
Seattle/Portland	2.2	3	3.2

*Twelve months ending May/June, 1991

Source: Nielsen Marketing Research, Marketing Statistics.

Nielsen drug store growth projections are conservative

According to Nielsen Marketing Research, the Commerce Department may actually be optimistic in estimating an 11 percent increase in total drug store retail sales for the first half. Nielsen has a more conservative estimates that put the growth at 8 percent with dollar sales coming in at $35.7 billion.

Nielsen also records virtually flat growth in certain regions of the country. According to Nielsen, sales for drug stores in the Nielsen Los Angeles and Metro Chicago market regions were only up 3 and 4 percent respectively for the bimonthly period ending May/June, 1991.

Drug stores in the southwest were only up 6 percent for the same period while stores in the remaining Pacific states were flat.

On the other hand, Nielsen estimates that dollar sales for drug stores in the New York region were up 16 percent and in New England, sales were up 14 percent.

The East Central and Southeast regions both generated a bimonthly May/June, 1991 sales increase of 12 percent.

For the first time since 1986, drug store chains did not outperform independents. Nielsen estimates that both chains and independents averaged an 8 percent dollar sales increase for the first half.

Large independents, generating annual sales of $500,000 a year or more, enjoyed much stronger growth than either drug chains or independents generating less that $500,000 average annual sales volumes. Sales for larger volume independents were up 13 percent to $9.7 billion for the first six months. Sales for medium and small volume independents, on the other hand, were down 6 percent to $3.1 billion.

Nielsen estimates that sales for drug chains rose 8 percent to $22.8 billion for the first half.

At mid-year, Nielsen estimates that drug chains accounted for 64 percent of all U.S. drug store sales, large independents accounted for 27 percent, and medium to smaller volume independents accounted for the remaining 9 percent.

Health and Beauty Aid Sales and Share Trends

	Dollar Sales (billions)				% chng				Share of sales		
	1986	1989	1990	1st 6 mos 1991	1986	1989	1990	1st 6 mos 1991	1986	1989	1990
Total HBA sales (billions)**	$26.4	$31.7	$32.9	$16.8	6%	6%	4%	3%	100%	100%	100%
Food stores	$11.7	$13.7	$13.9	$7.0	7	5	2	1	44	43	42
Drug stores	$10.3	$12.2	$12.6	$6.3	5	5	4	1	39	38	38
Mass merchandisers	$4.4	$5.9	$6.4	$3.5	6	12	8	9	17	19	19

*Based on the 66 categories in Nielsen's HBA Index.
** Sales through three mass market outlets.

Source: Nielsen Marketing Research.

HBA SALES TRENDS
part III

HBA sales soften in '91

Within the last twelve months, sales of HBA products have been softening, but they have shown the strongest growth in the mass merchandise trade class, while growth in the drug and food class trades has been consistently soft.

The remedial segment of the HBA category has been a stronger growth segment than toiletries. For the past five years, total sales for remedial products went up 7 percent per year, compared to 5 percent per year for toiletries.

For the past five years, Nielsen Market Research estimates that total HBA sales have been averaging a 6 percent annual increase.

HBA Sales Index

Taking 1985 as a base year and comparing it to 1990, Nielsen estimates that total HBA sales increased 32 percent for that five-year period, while remedials went up 41 percent and toiletries were up 28 percent.

By and large, the growth in HBA sales has been driven by product segments like skin care and external analgesics which have experienced dramatic surges of new product activity. For the past five years, for example, the external analgesic category has generated a 12 percent compounded annual increase.

In 1990, five year sales were up 78 percent versus 1985. Sales for the skin care category, in the past five years, managed an average 8 percent increase. Five-year sales for skin care were up 47 percent for 1990 versus 1985.

For 1990 and the first six months of 1991, HBA sales were especially soft. Nielsen reports that total sales for all 66 HBA segments measured were only up 4 percent in 1990, and for the first half of this year, Nielsen estimates they were only up 3 percent.

In 1990, Nielsen reports that remedial product sales rose 5 percent for the year, and they were up 4 percent at the end of the first half of 1990. Nielsen reports that so far, the remedial product segment is turning in the same performance for 1991, up 4 percent for the six months ended last June.

Toiletries, however, were only up 1 percent for the first half. For 1990 versus 1989, they were up 4 percent.

Even the "hottest" growth segments of toiletries are slowing down. For the first half of 1989, skin care sales were up 8 percent. For the first half of this year, they were only up 2 percent.

Continued on page 49

HBA Sales And Price Trends—Drug vs. Food vs. Mass Merchandisers

(Percentage change vs. year ago)

	Dollar sales trends first six months		Unit sales trends* first six months		Price trends* first six months	
	1990	1991	1990	1991	1990	1991
All 3 outlets	4%	3%	1%	(1)%	3%	3%
All drug stores	4	1	1	(3)	3	4
Chain drug stores	8	3	4	(2)	4	4
Food stores	2	1	(2)	(2)	4	3
Mass merchandise stores	8	9	6	6	2	3

*Weighted by dollar importance of each category.

Source: Nielsen Marketing Research.

HBA Weighted Unit Sales Trends**

(Percentage change vs. year ago—first six months 1991)

	Total* stores	Drug stores	Chain drug stores	Food stores	Mass Merchandise stores
Total Nielsen HBA Index	(1)	(3)	(2)	(2)	6
Total toiletries	(2)	(5)	(3)	(4)	5
Men's products	(3)	(5)	(3)	(4)	2
Skin care	(1)	(4)	(3)	(4)	10
Hair care	(2)	(4)	(2)	(5)	6
Oral hygiene	(1)	(2)	(1)	(4)	5
Color cosmetics	(6)	(7)	(5)	(9)	2
Other toiletries	(2)	(5)	(3)	(3)	6
Total remedial	0	(3)	(1)	(1)	9
Cold/cough/ flu/sinus	0	(3)	(1)	0	8
Analgesics/ digestives	0	(3)	(1)	(2)	10
External remedies	0	(1)	1	0	4
Paper goods	1	2	4	(2)	8
Selected sundries	5	(3)	(2)	13	3

*Food, drug and mass merchandise stores
** Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

Drug store HBA and remedial product dollar sales growth is softening

Continued from page 46

The hot growth segments in remedials are also starting to soften. For the first half of 1989, sales of external analgesics were up 13 percent. But for the first half of this year, they were only up 4 percent.

At the same time that sales for the HBA category have been softening, sales of HBA products in the drug store trade class have also grown softer.

The sales increases that drug stores have been able to generate in many HBA category segments have failed to keep pace with the category's growth, and this has meant that, in many HBA categories, the drug store industry's share of sales has been shrinking.

At the same time, the mass merchandise chains like Kmart, Wal-Mart and Target have been, and still are, generating much stronger growth, and as a result, they are continuing to expand their share of total HBA sales. For the first half of 1991, for example, mass merchandisers enjoyed a 9 percent increase in total HBA dollar sales, while drug and food stores both squeaked by with a slim 1 percent increase. In 1986, mass merchandisers had a 17 percent share of all HBA sales. In 1990, they commanded a 19 percent share, Nielsen reports. The drug store share of HBA sales for the same period slipped one point to a 38 percent share in 1990.

Mass merchandisers have been steadily building up their franchise in the HBA category for a number of years now. From 1985 through 1990, they averaged a 9 percent annual growth rate in HBA sales while drug stores, in comparison, averaged a 5 percent annual percent increase.

Historically, chain drug stores have been better at building HBA sales than independent drug store operators.

For the past five years, drug chains have managed to sustain a 7 percent average annual increase in HBA sales.

For the first half of this year, HBA dollar sales in chain drug stores were up 3 percent while they were down 8 percent in independent drug stores. Last year, for the same six month period, however, chain drug stores turned in a much stronger performance. For the first half of 1990, HBA sales through chain drug stores were up 8 percent. For that same time period, they were down 8 percent in independent drug stores.

HBA price, unit sales trends

So far in 1991, unfortunately, price increases appear to have accounted for the growth in dollar sales in drug store HBA sales, even for chains.

HBA price increases were up 4 percent in chain and independent drug stores for the first half, Nielsen reports, while unit sales were down 2 percent for chains and down 3 percent for all drug stores. On the other hand, mass merchandisers only raised prices 3 percent on HBA for the first year, and their unit growth was up a hearty 6 percent.

Mass merchandisers are the only trade class to have real growth increases, minus price increases, for every product category segment Nielsen measured.

Except for the paper goods category, the drug store trade class experienced real declines for every segment tracked. Chain drug stores generated unit growth in only two segments, paper goods, up 4 percent, and ex-

Continued on page 50

Compound Growth In HBA Dollar Sales By Trade Class

Five Year Average Annual Growth through 1990

	Total* stores 5 yr. growth index	5 yr. Avg. annual % chng	Drug stores index	% chng	Chain drug index	% chng	Food stores index	% chng	Mass merchandise index	% chng
Total Nielsen HBA Index	113	3%	108	2%	117	3%	108	2%	134	6%
Total toiletries	113	3	109	2	115	3	112	2	123	4
Men's products	106	1	102	0	107	1	107	1	111	2
Skin care	124	4	120	4	128	5	121	4	139	7
Hair care	114	3	109	2	115	3	111	2	124	4
Oral hygiene	115	3	116	3	122	4	109	2	130	5
Color Cosmetics	115	3	113	2	119	4	131	6	110	2
Other toiletries	107	1	98	0	104	1	112	2	120	4
Total remedial	115	3	108	2	122	4	112	2	146	8
Cold/cough/ flu/sinus	116	3	109	2	125	5	114	3	149	8
Analgesics/ digestives	106	1	102	0	112	2	104	1	127	5
External remedies	153	9	132	6	148	8	157	9	226	18
Paper goods	108	2	105	1	109	2	99	0	154	9
Selected sundries	122	4	114	3	121	4	102	0	163	10

*Food, drug and mass merchandise stores
Index 1990 vessus 1985 base year. Five year average annual percent change.

Source: Nielsen Marketing Research.

HBA sales growth is softening

Continued from page 49
ternal up 1 percent.

Food stores were down or flat in every segment except selected sundries which is comprised of batteries, pet flea collars and insect repellents.

Mass merchandisers have been able to do so well with toiletries and remedials because they generate the strongest dollar volume gains and maintain the lowest price increases. The HBA items they stock turn fast.

Each year, the drug stores' share of HBA category sales declined a few points for almost every segment. Mass merchandisers' share, on the other hand, continues to grow. This year, out of the 42 segments measured, drug stores lost share on 30. As share sales shrink, as unit sales go down and as dollar sales grow soft, drug stores also get fewer opportunities to exploit growth in hot categories.

Nielsen has a What's Hot chart it releases every year. Five or six years ago, there were always six to 12 HBA categories showing dollar sales increases of 15 percent or better in chain drug stores.

This year, for the first half, there was one "very hot" 15 percent plus category taking off in drug stores, and only two "very hot" segments livening the aisles in chain drug stores. But in the world of mass merchandisers, there were 10 "very hot" category segments, giving that trade class sales growth of 15 percent or better, plus nine more categories generating growth rates between 10 percent and 15 percent.

The clear implication is that drug stores, as a trade class, no longer have the edge when it comes to being the first retail outlet to introduce consumers to what's really new and hot in HBA products.

HBA Dollar Sales and Share Trends

(Drug chains vs. food chains vs. mass merchandisers)

HBA categories	1990* Drug	1991* Drug	1991* Food	1991* Mass
Early pregnancy tests	64.1%	63.8%	23.4%	12.8%
Color cosmetics	60.8	59.8	18.8	21.4
External analgesics	60.9	59.8	26.1	14.1
Ethnic hair preps	58.1	58.4	19.1	22.5
Aftershave lotions/colognes	58.3	58.4	17.2	24.4
Depilatories	59.2	58.0	23.6	18.4
Foot remedies	56.0	57.3	27.2	15.4
Topical hydrocortisones	58.3	57.1	28.0	14.9
Cough syrup	56.7	55.4	34.9	9.7
Face Creams/lotions	57.9	55.3	23.8	20.9
Laxatives	56.4	55.0	27.7	17.3
Vitamins	55.4	54.1	30.2	15.7
Hair color	52.2	51.5	19.0	29.5
Suntan lotions and oils	53.3	49.4	29.4	21.2
Throat lozonges	48.4	48.0	43.0	9.0
Home wave kits	47.1	45.2	17.8	37.0
Acne remedies	46.1	44.6	41.5	14.0
Soft contact lens solutions	45.2	43.6	29.4	27.0
Hand and body lotions	42.4	43.5	35.2	21.3
Diarrhea remedies	42.3	42.9	45.1	11.9
Cold remedies	42.8	41.8	44.4	13.8
Cough drops	40.6	40.5	49.1	10.4
Stomach remedies/antacids	41.1	39.8	43.4	16.9
Feminine douches	37.9	38.7	37.6	23.7
Sinus remedies	39.2	38.1	46.0	15.9
Hemorrhoid preps	38.6	36.4	17.2	46.4
Internal analgesics	36.3	35.8	48.1	16.1
After shampoos	35.7	35.1	41.2	23.7
Toothbrushes	34.8	33.9	45.6	20.5
Baby oil	30.2	31.0	41.3	27.7
Mousses	32.0	30.5	41.7	27.8
Blades and razors	29.4	29.6	47.5	22.9
Hair Fixatives	30.2	29.2	42.6	28.1
Mouthwash	28.9	29.1	48.9	22.0
Shaving cream	31.2	29.0	48.8	22.2
Shampoos	28.2	27.4	48.1	24.5
Batteries	29.1	27.1	38.8	34.1
Deodorants	27.9	26.8	48.0	25.1
Cotton swabs	24.5	25.6	51.5	22.9
Sanitary protection	25.0	25.0	56.5	18.4
Dentifrice	22.6	22.3	57.3	20.4
Disposable diapers	10.2	10.5	69.0	20.6
Total HBA	38.3	37.6	41.7	20.7

*First six months 1990 vs 1991

Source: Nielsen Marketing Research

HBA Sales—What's Hot in Chain Drug Stores

(For six months ending June 30, 1991 vs six months ending June 30, 1990)

HOTTEST
(Dollar sales increases greater than 15%)

- Foot remedies
- Cough Drops

HOTTER
(Dollar sales increases between 10% through 15%)

- Diaper rash creams
- Blades & razors
- Baby powder
- Early pregnancy test
- Sinus remedies
- Diarrhea remedies

HOT
(Dollar sales increases 5% through 10%)

- Cotton swabs
- Lip make up
- Insect repellents
- External analgesics
- Hemorrhoid preps
- Sleeping Tablets
- Talc/dusting powders
- Topical hydrocortisones
- Disposable diapers
- Internal analgesics
- Cold remedies
- Dental floss
- Denture cleansers

WARM
(Dollar sales increases between 0% and 5%)

- Sanitary protection
- Hair color
- Baby oil
- Dentifice
- Women's fragrances
- Throat lozengers
- Laxatives
- Nasal sprays
- Stomach remedies/ antacids
- Chapped lip preps
- Bath products
- Eye drops and lotions
- Vitamins
- Hand and body lotions
- Aftershave lotions/ colognes
- Pre-Moistened towelettes
- Face makeup
- Denture adhesives
- Toothbrushes
- Acne remedies
- Cough syrup
- Shampoos

NOT SO HOT
(No sales growth or sales volume declines)

- Baby bath
- Batteries
- Mouthwash
- Feminine douches
- Depilatories
- Ethnic hair preps
- After shampoo/ conditioners
- Suntan lotions and oils
- Deodorants
- Soft contact lens solutions
- Nail color
- Hair fixatives (sprays)
- Eye makeup
- Women's contraceptives
- Mens hair preps
- Mousse
- Arthritic remedies
- Shaving cream
- Home wave kits
- Baby lotion
- Pet flea collars
- Dieting aids

Source: Nielsen Marketing Research.

HBA Sales—What's Hot in Mass Merchandise Stores

(For six months ending June 30, 1991 vs six months ending June 30, 1990)

HOTTEST
(Dollar sales increases greater than 15%)

- External analgesics
- Sinus remedies
- Diaper rash creams
- Batteries
- Foot remedies
- Throat lozenges
- Early pregnancy test
- Cold remedies
- Sleeping Tablets
- Women's fragrances

HOTTER
(Dollar sales increases between 10% through 15%)

- Blades & razors
- Cough syrup
- Denture adhesives
- Vitamins
- Toothbrushes
- Diarrhea remedies
- Baby bath
- Stomach remedies/ antacids
- Face creams & lotions

HOT
(Dollar sales increases 5% through 10%)

- Ethnic hair preps
- Topical hydrocortisones
- Pet flea collars
- Disposable diapers
- Acne remedies
- Hair color
- Internal analgesics
- Baby powder
- Dental floss
- Sanitary protection
- Eye drops and lotions
- Hemorrhoid preps
- Arthritic remedies
- Shampoos
- Laxatives
- Cough Drops
- After shampoo/ conditioners
- Chapped lip preps
- Deodorants
- Face makeup
- Cotton swabs
- Dentifice
- Bath products
- Lip makeup
- Aftershave lotions/ colognes

WARM
(Dollar sales increases between 0% and 5%)

- Hand and body lotions
- Pre-Moistened towelettes
- Nasal sprays
- Feminine douches
- Soft contact lens solutions
- Baby lotion
- Mousse
- Mouthwash

NOT SO HOT
(No sales growth or sales volume declines)

- Mens hair preps
- Women's contraceptives
- Eye makeup
- Home wave kits
- Depilatories
- Nail color
- Denture cleansers
- Hair fixatives (sprays)
- Talc/dusting powders
- Shaving cream
- Suntan lotions and oils
- Baby oil
- Insect repellents
- Dieting aids

Source: Nielsen Marketing Research.

HBA Inventory Trends—Drug vs. Food vs. Mass Merchandisers*

	Inventory** level trends (% change vs. year ago) First six months 1990	1991	Average annual rate of** inventory turns First six months 1990	1991	Inventory** rate of turn (% change vs. year ago) First six months 1990	1991
Three outlets	0%	0%	7.5	7.4	1%	(1)%
Drug stores	(1)	(1)	4.5	4.5	2	(2)
Chain drug stores	2	1	5.0	4.9	2	(2)
Food stores	1	1	9.9	9.6	(3)	(2)
Mass merchandisers	2	3	10.0	10.4	5	4

Six months ended June 30, 1991, based on the 66 categories in Nielsen's HBA Index
**Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

HBA INVENTORY TRENDS

part IV

HBA inventory level, turn trends report

Over the course of the past five years, HBA unit sales in chain drug stores have gone up 17 percent. So have HBA inventory levels. Unfortunately, that means that chain drug stores are not getting more efficient in managing their HBA inventories.

For the first half of 1991, there was no suggestion of any improvements. HBA inventory levels were up 1.4 percent, according to Nielsen Marketing Research. HBA unit sales were down 1.5 percent. That relationship suggests that drug stores, at least for the first half of the year, were not managing their HBA inventories well.

Independents were not doing any better. According to Nielsen, HBA unit sales were down 13 percent for the half. Their inventory levels were also down, but only by 7 percent, not enough to compensate for the loss in unit sales.

Mass merchandisers were going in a more positive direction. Their HBA inventories were only up 3 percent and unit sales were up 6 percent. Their inventory management of HBA is more efficient.

In five years, HBA inventory levels in mass merchan-

Continued on page 59

HBA Inventory Trends—Total U.S. Mass Merchandise Stores*

	Inventory** level trends (% change vs. year ago) First six months 1990	1991	Average annual rate of** inventory turns First six months 1990	1991	Inventory** rate of turn (% change vs. year ago) First six months 1990	1991
Total Nielsen HBA Index	2%	3%	10.0	10.4	5%	4%
Total toiletries	0	6	8.7	8.7	5	0
Men's products	(3)	7	9.4	9.0	9	(4)
Skin care	(3)	17	7.3	6.9	4	(5)
Hair care	3	4	9.3	9.4	3	1
Oral hygiene	1	3	11.1	11.4	4	3
Color cosmetics	(4)	5	3.5	3.4	5	(3)
Other toiletries	(1)	4	9.4	9.7	7	3
Total remedial	3	1	8.4	9.0	4	8
Cough/cold/flu/sinus	15	(3)	8.2	9.1	(1)	12
Analgesics/digestive	(4)	2	8.4	9.1	8	8
External remedies	12	0	8.4	8.7	2	2
Paper goods	1	(2)	18.5	20.1	5	10
Selected sundries	13	4	7.1	7.0	7	(1)

*Based on the 66 categories in Nielsen's HBA Index, based on the six months ended June 30, 1991
**Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

HBA Inventory Trends—Drug Stores*

	Inventory** level trends (% change vs. year ago) First six months 1990	1991	Average annual rate of** inventory turns First six months 1990	1991	Inventory** rate of turn (% change vs. year ago) First six months 1990	1991
Total Nielsen HBA Index	(1)%	(1)%	4.5	4.5	2%	(2)%
Total toiletries	(2)	0	3.8	3.6	3	(4)
Men's products	(6)	(1)	4.4	4.3	3	(4)
Skin care	2	(1)	4.1	4.0	2	(4)
Hair care	1	0	4.5	4.2	1	(4)
Oral hygiene	(2)	2	5.7	5.5	8	(3)
Color cosmetics	(3)	1	2.4	2.2	7	(8)
Other toiletries	(4)	(4)	2.4	2.3	2	(1)
Total remedial	0	(2)	5.3	5.2	1	(1)
Cough/cold/ flu/sinus	6	(4)	5.2	5.3	(5)	2
Analgesics/ digestive	(4)	(1)	5.3	5.2	4	(2)
External remedies	3	0	5.1	5.1	4	5
Paper goods	(2)	3	6.7	6.6	1	0
Selected sundries	3	(6)	4.6	4.8	(4)	(3)

* Based on the 66 categories in Nielsen's HBA Index
** Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

Report on HBA inventory level

(Continued from page 52)

dise stores have only increased 3 percent. In chain drug stores, they've gone up 17 percent in the same period.

As inventory levels have gotten leaner, mass merchandiser HBA turns have gotten sharper. For the first half of 1991, HBA turns in mass merchandise stores were averaging 10.4 turns a year, up 4 percent versus the same period last year.

In drug stores, HBA turns were down 2 percent to 4.5 a year. In chain drug stores, they were down 2 percent to 4.9 turns a year; in independent drug stores, they were down 6 percent to 3.1 turns a year.

The only categories turning faster in chain drug stores this year were external remedies, up 5 percent to 5.7 turns and cough/cold remedies, up 2 percent to 2.8 turns a year.

Food stores were also less efficient at managing their inventories this year. Their rate of turn dropped 2 percent to 9.6 annual turns a year.

This is the second year that mass merchandisers have shown themselves better at managing their HBA inventories than food chains, who are used to managing high tonnage categories. The more efficient the mass merchandisers are with their inventories, of course, the harder it is for either food or drug stores to compete with them on price.

HBA Inventory Trends — Chain Drug Stores*

	Inventory ** level trends (% change vs. year ago) First six months 1990	1991	Average annual ** rate of inventory turns First six months 1990	1991	Inventory ** rate of turn (% change vs. year ago) First six months 1990	1991
Total Nielsen HBA Index	(2%)	(1%)	5.0	4.9	2%	(2%)
Total toiletries	(1)	2	4.2	4.0	4	(4)
Men's products	(4)	2	5.2	4.9	4	(5)
Skin care	6	2	4.6	4.5	2	(4)
Hair care	4	2	4.8	4.6	0	(4)
Oral hygiene	1	3	6.2	6.0	8	(4)
Color cosmetics	1	5	2.8	2.5	6	(9)
Other toiletries	(2)	0	2.7	2.6	3	(1)
Total remedial	3	0	5.8	5.8	1	(1)
Cough/cold/flu/sinus	10	(2)	5.7	5.8	(5)	2
Analgesics/digestive	(2)	1	6.0	5.9	4	(2)
External remedies	8	2	5.7	5.7	4	5
Paper goods	0	5	7.2	7.2	0	(1)
Selected sundries	4	(6)	4.8	5.0	(4)	4

*Based on the 66 categories in Nielsen's HBA Index, based on the six months ended June 30, 1991
**Weighted by dollar importance of each category

Source: Nielsen Marketing Research.

B-T-S sales are ruled by color, fashion, licensing

By Barbara White

Retailers say that color, fashion and licensing are the trends that continue to drive back-to-school stationery sales. Other trends, such as the recycling movement and licensing, are also giving the category a boost. And home office, while not growing in the leaps and bounds that it had been, continues to advance.

Color, always a difficult trend for retailers to predict—especially in relation to products aimed at the faddish youth market—will debut in jewel tones (teal, emerald and violet) in 1992 and may outsell the neon items that have been so strong for the past few years.

Still, vendors and retailers alike believe there is some steam left in bright neon colors, especially for the younger set.

When it comes to design, geometrics and holographic patterns are everywhere. The holographic designs are showing up on everything from notebooks to clipboards.

Licensing, a good area with the youth market, will stay strong in 1992 with more licensees for characters, such as Barbie and The Little Mermaid, coming into the market.

"Barbie was great for us in everything from file folders to party materials," said Cynthia Stahley, buyer at Genovese Drug Stores in New York. Indeed, Pat Patterson, vp-sales-/marketing of Plymouth, Inc., said products under the Barbie license have had a strong debut in initial sales calls.

Barbie products were also hot at Walgreens and are expected to continue selling well through mid-'92, according to Pat Faye, buyer at Walgreens, who noted that "Pirates are looking strong and there's still a lot of interest in the Turtles."

Faye said that a new character, called James Bond Junior, is also showing promise at Walgreens. "A month makes a big difference in licensing. It's hard to say what will be popular in a year," he said.

How much fashion, color?

Retailers vary on how much fashion and color they'll be carrying in 1992. At Reliable Drug Stores in Indianapolis, fashion merchandise makes up 50 percent of the stationery mix.

Other chains are more conservative. Said Chris Michel, buyer at New Orleans-based K&B: "Fashion goods, while necessary, are going to be a smaller part of the program this year. We're going back to basics." Stahley said Genovese stick to basics but "jazzes it up" with fashion and color.

The recycling question

The jury is still out on recycled products. "We do carry some recycled paper from Stuart Hall," said Tony Montini, buyer for Reliable. "But we are waiting to see how the market reacts before investing heavily in recycled paper."

Most retailers say the market is reacting slowly, but in a positive way. "We carried 200-count reycled filler paper last year and sales were good," said Mark Tow, buyer for Cincinnati-based Hook SupeRx. "We expect sales to be even better in 1992."

Retailers say they have to price recycled products at the same level as other merchandise, even though the recycled products may be more expensive. Ron Riviere, buyer for Minnetonka, Minn.-based Snyder's Drug Stores is one of many buyers who is seeing growth in recycled products. He is pricing those items at the same level as other products.

"The success of recycled products depends on how it's merchandised," said Walgreens' Faye. "You can't merchandise recycled envelopes next to the regular envelopes. We did that two years ago and priced them higher than the regular enveloped and failed miserably."

Now, said Faye, all recycled producs are merchandised in one section to make a statement. The area has become very successful for the chain. "We added 10 SKUs from Stuart Hall's green line last year. Even if the products cost more, we charge the same price. The customer doesn't understand why the products should be more expensive."

Retailers will be offering the back-to-school crowds new books and folders in jewel tones, neons and popular licenses in 1992.

Smart fun is reason for growing arts & crafts sales

Activity kits that combine fun and creativity aren't only popular with kids: parents love these items too.

Children's activity kits are becoming important in the marketplace as parents put a greater emphasis on their children's education. Many homes are two-income households headed by young parents willing to spend a few extra dollars on a product that will make the best use of a child's time.

Retailers who have invested in this product area are finding it well worth the space they are giving it.

"Arts and crafts have definitely expanded for us," said Cynthia Stahley, buyer at New York-based Genovese. "We've been able to trade up the customer to washable markers, and we've seen sales of construction and craft paper and educational materials growing."

Washable crayons

Said Chris Michel, buyer at New Orleans-based K&B: "Binney and Smith's new washable crayons may change people's attitudes about crayons the way the company's washable markers did." Michel said that his customers would rather pay more for markers or crayons that are washable than to pay for new wallpaper later. Other smaller players, such as Pentapco Inc., have entered the market with washable markers and crayons in big, chubby sizes for small hands.

Indianapolis-based Reliable Drug Stores has increased space devoted to these products. "We added that area from a few products to a permanent four-foot arts and crafts department," said buyer Tony Montini. "Sales have been very strong." Reliable does not stock high end merchandise. Margins in this department, however, are enviable. "We have an average of 50 percent margins on activity kits," he said.

Why does Montini think these products are doing so well? "The activity kits are a way for parents to get kids involved in an activity so that they are thinking and creating something," he said.

Montini believes that this will be a strong growth area for retailers. "I think people will devote more space and more companies will come out with products that are educational."

Binney and Smith and Rose Art will be introducing more activity kits for 1992. Rose Art's kits are priced up to $19.99. Smaller vendors are also entering the market, such as Creative Learning Products, with products that teach children the alphabet and the countries of the world through coloring. The kits retail for $5.99.

Stationery advertising for top 50 drug chains

*(Percentage of space devoted to stationery ads each month)**

	'90	'91	% change
January	4.9	5.6	+14.3
February	3.8	3.2	−15.8
March	3.2	1.9	−40.6
April	1.7	1.3	−23.5
May	1.0	0.7	−30.0
June	1.7	0.7	−58.8
July	3.7	5.4	+45.9
August	16.1	17.0	+ 5.6
September	5.8	6.0	+ 0.3

*First nine months of each year

Source: Ad Activity Marketing Services Inc., Springfield, Ill.

Battle tents pitched in Puerto Rico

Continued from page 1
chain.

Wal-Mart will make its first venture outside the U.S. mainland next summer when it opens stores in Fajardo, about 30 miles east of San Juan, and Arecibo, about 30 miles west of the capital. A third store is scheduled for late '92 in the west coast city of Mayaguez.

Wal-Mart declined to discuss its future plans, but drug store executives predict the chain will eventually operate six stores on the 100- by 35-mile island, including one in the San Juan area.

The upcoming rivalry reminds executives of Kmart's sudden expansion from three to eight stores in early 1983. The industry was able to weather that threat after an initial decline in sales, but confronting Wal-Mart might be a thornier problem.

Wal-Mart is expected to draw curious consumers from all over the island with its reputation for brand-name goods and everyday low prices. Meanwhile, the retailing market has become intensely competitive as other discounters launch aggressive expansion plans to combat Wal-Mart, even though overall retail sales are falling.

"This is going to change how everyone shares the retailing pie, from department stores to discounters to drug stores," Enrique Anglade, Walgreens' regional vp for Puerto Rico and Miami/Fort Lauderdale, told *Drug Store News*.

El Amal's Yassin said competing against Wal-Mart will be particularly difficult if the chain operates in-store pharmacies and discounts popular prescription drugs, a practice Wal-Mart uses frequently in the states.

"There is no way we can match those prices," he said.

Wal-Mart has applied for government permits to open pharmacies in its Arecibo and Fajardo stores. However, there is no guarantee that the permits—awarded by the Department of Health on the basis of convenience and need—will be granted. Kmart has been fighting for pharmacy permits for years, and Walgreens had to wait more than six years to get a pharmacy permit for its store in the south coast city of Ponce.

The approval process allows competitors to dispute the need for another pharmacy in a specific area. Yassin, who will compete head-to-head with Wal-Mart in Arecibo, is considering opposing Wal-Mart's permit for its Arecibo store. Walgreens, which will operate next door to Wal-Mart in Fajardo, has already decided to fight Wal-Mart's permit there.

"No one ever told us there would be another pharmacy in that Fajardo center," Anglade said.

But fighting the pharmacies will be only part of the battle. Wal-Mart's clout in health and beauty aids threatens non-pharmacy lines, where drug stores here generate about 65 percent of their sales.

Walgreens, with 29 stores on the island, carries a broad line of top-of-the-line cosmetics and perfumes in its Puerto Rican stores because there aren't many upscale department stores here. The chain plans to shift more of its advertising to those prestigious lines.

"That's our forté, and I plan to emphasize and nurture it," Anglade said. "Wal-Mart's lines are not as upscale."

Anglade also plans to emphasize the stores' broad line of over-the-counter drugs and health care products. "We'll have more depth—we have all the sizes and all the flavors," he said.

El Amal is working on its first-ever corporate image advertising campaign which will stress the chain's service, late-night pharmacy hours and family atmosphere.

"When people think of drug stores, they will think of Amal," said Yassin, who operates 14,000-square-foot stores compared to Wal-Mart's 100,000-square-foot stores.

Moscoso, a locally-owned chain with 35 stores on the island and estimated sales second only to Walgreens, would not comment on Wal-Mart's entry.

Eric Gonzalez, president of the 13-store Gonzalez Pharmacies, said his stores will emphasize service. He added that he may develop some advertising programs geared directly against Wal-Mart.

"I'll do some hit-and run-tactics," Gonzalez said. "It will be more like guerilla warfare rather than head-on combat."

Different laws in P.R. may make it hard for Wal-Mart

SAN JUAN, Puerto Rico—Operating a retail store on this island of 3.2 million people is full of quirks and surprises, ranging from complicated government regulations to unexpected consumer preferences.

Established drug stores that know these peculiarities may have a competitive leg up when Mal-Mart enters the market.

"It's a different ball game here, and Wal-Mart could have some growing pains," said Eric Gonzalez, president of Gonzales Pharmacies.

Chief among the market's idiosyncrasies is its complex closing law, which allows stores to operate between 5 a.m. and midnight, Mondays through Saturdays, and between 11 a.m. and 5 p.m. on Sundays, when stores must pay employees double-time.

A drug store with a pharmacy, however, can open outside of regulated hours provided it sells only "traditional drug store" items.

Walgreens, which has operated here since 1959, said the law is vague, and drug stores often have to ask the government to clarify what they can sell outside of closing law hours.

"There are many gray areas when defining a traditional drug store item," said Enrique Anglade, Walgreens' regional vice president for Puerto Rico and Miami/Fort Lauderdale.

"For example, can a lamp be sold as a traditional item under school supplies, and, if so, what about a bulb?"

If Wal-Mart stores open with a pharmacy, it is unclear whether Wal-Mart could be considered a drug store and allowed to operate after restricted hours.

"The government would have to make that decision," Anglade said.

Some large retailers have also run into distribution problems because most of their merchandise is shipped from the mainland. Kmart is well-known for running out of advertised merchandise here.

"If you advertise something and there is not enough, you're dead," Anglade said. "You can't go back to the well because by the time the product gets here it's too late. That will kill you if it is a seasonal item."

Anglade added that many off-shore retailers have guessed wrong about the type of merchandise consumers buy in Puerto Rico.

"People tend to think of this as a secondary market and ship junk down," he said. "But Puerto Rican consumers like name-brand products."

Gonzales believes Wal-Mart might have to change its strategy of promoting American-made products as a way to draw consumers.

"This is an import market," Gonzalez said. "People won't drive any farther or spend more just because it's a U.S. product."

He added that Wal-Mart will also have to get used to higher freight charges, taxes, electricity bills and insurance costs on the island.

Chicago Perry stores get a remake

Continued from page 1
ry drug stores Oct. 25, marking Perry's exit from Chicago and the creation of a new niche player in the nation's second-largest drug store arena. The deal also gave two longtime drug store operators, Fred Barney and partner Bob Cartwright, a long-awaited entree back into the business. They seem to relish the chance.

"There is a niche role for a small chain in a big market," Barney said. "With 16 stores, we know we're not here to take on the Walgreens or Oscos of the world. We're billing ourselves as the friendly neighborhood drug store with chain store prices."

Added Cartwright, "We're going to merchandise each store locally, for its own neighborhood."

In a talk with *Drug Store News* at their new base of operations, Barney and Cartwright outlined an extensive set of plans and priorities for the new operation. Those include a complete remerchandising of each store—"virtually every four-foot section"—to reflect a new niche strategy that the two hope will more closely mirror local market conditions. Such a strategy, with local buying, marketing and merchandising, will give the new chain an advantage Perry didn't have with offsite control.

"We're looking at this as 16 neighborhood drug stores, merchandised to that community's needs," said Barney.

"We have a space conversion plan for every store," added his partner. "For instance, we're adding soft goods [where they'll work]; and we're increasing food selection at the Fullerton Ave. store because of its proximity to the [DePaul University] campus.

"The stores have great demographics," he added. "More than half of them are in ethnic neighborhoods—Polish, black, Korean, etc. We're going to play to them."

Along those lines, the chain is running its first Korean-language circular for Thanksgiving in the Korean community. And early next year, Barney will meet with DePaul student leaders to find out what they want in a drug store.

The operators have also retained all store managers and personnel, said Barney, and will draw on their market knowledge to overhaul and localize the stores. The change to local ownership and control has fired them up, Barney said.

Among other plans for the stores: new cosmetics departments with service counters re-installed; speed check lanes; enlarged and repositioned departments for greeting cards, liquor and office supplies; the addition of videotape rentals in a party/home entertainment section; new, lower fixturing; a new color scheme based on off-white with color accents; and more vendor participation in setting departments.

Also in the works: a logo change and a new company name. The firm has nine months from the date of sale to replace the Perry logos on the stores.

"Perry has been very good to us," added Barney. "So have the vendors. They've welcomed us with open arms."

Barney said the new company has one distinct advantage over many other retail startups. "One of the factors on our side is the strength of our balance sheet," he said. "We haven't had to leverage the deal. . (which was financed through) equity investing . . . by a close-knit group of investors."

RDS files for Chapter 11 protection

Continued from page 1
that the court-protected restructure will result in a healthier company.

Robert Morick, senior vp-marketing, told *Drug Store News* that Citicorp Venture Capital, a unit of Citicorp bank, Towle and Oberfield are the three largest equity owners.

The filing ends the first act of a chain that was formed through the Sept. 1990 purchase of 146 stores which were being divested by Revco, another operator in Chapter 11. A month later, the group acquired 17 stores from the bankrupt SupeRx Corp. of Arizona for about $4.5 million.

RxPlus is the largest drug chain headquartered in the Southwest, with estimated first year revenues of $250 million-plus.

Morick last week said that the company has been "struggling," although sales and profits have been "somewhat" according to projections, he said. "We didn't have enough financing to run it the way we wanted to run it. We needed more working capital."

Management had been negotiating since the summer with Citicorp and Security Pacific Bank to raise new financing when the Chapter 7 petition was filed by the three creditors and "threw (the banks) into a tizzy," said Morick.

Other company officials including Towle could not be reached for comment.

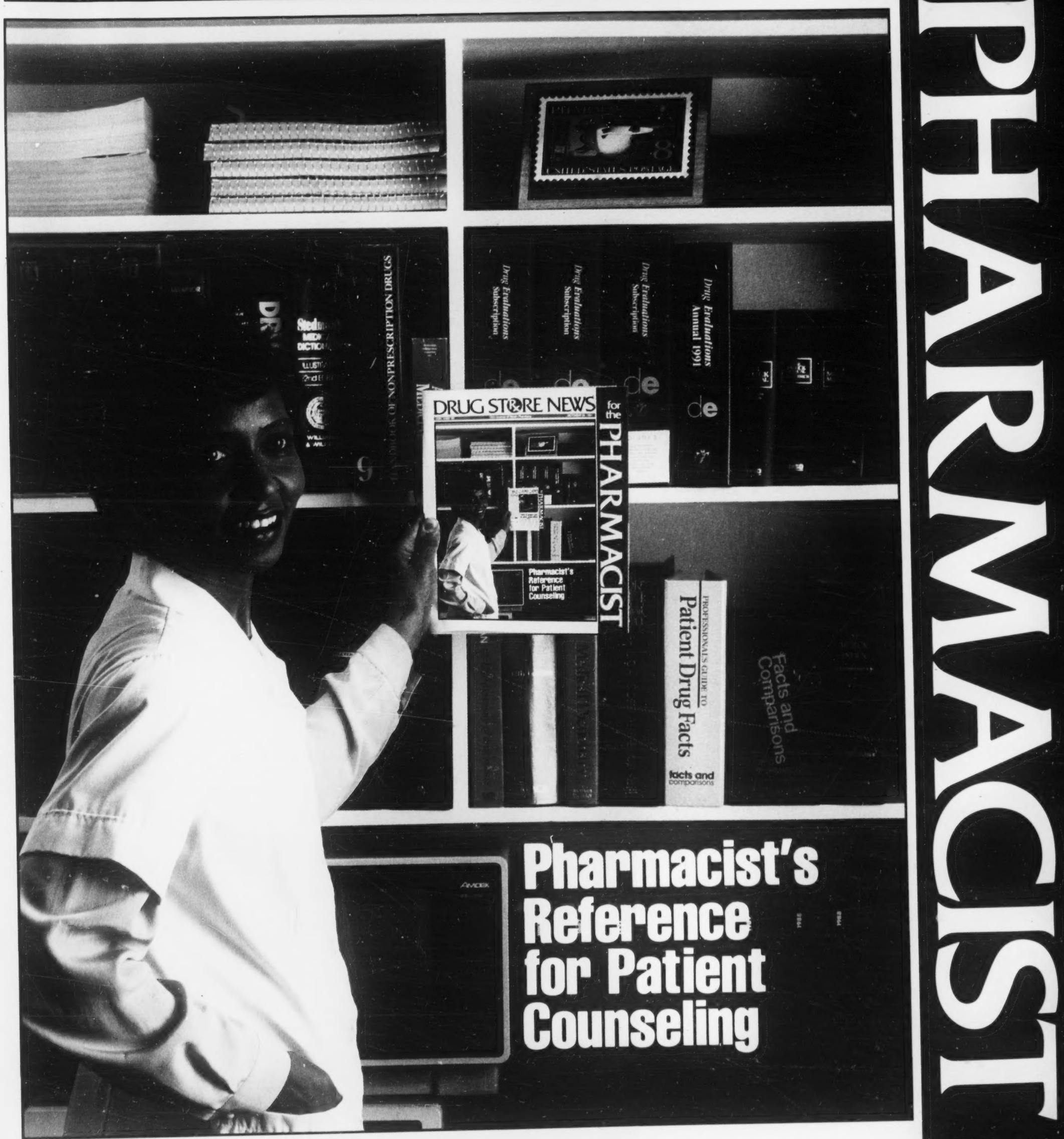
RxPlus was launched on a buoyant note by a team of veteran drug store operatives who felt they had purchased Southwestern drug stores that had solid potential.

The Revco stores were said to be in good condition when purchased and boasted a strong presence in markets including El Paso and Tucson. And although in a competitive market, the SupeRx stores came with excellent locations and leases.

DRUG STORE NEWS®

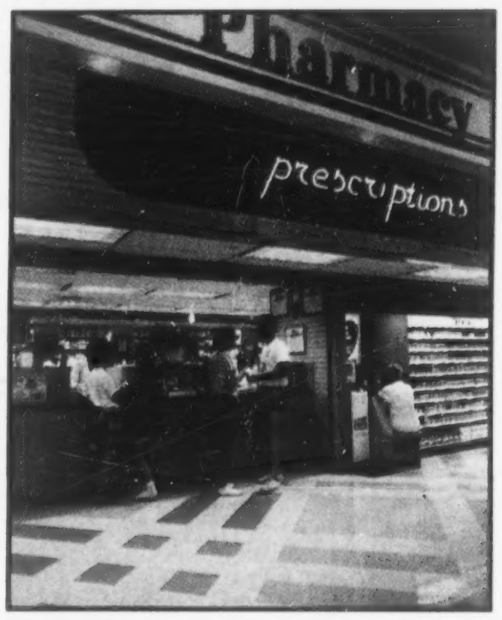
VOL. 12 NO. 11 The Journal of Retail Pharmacy DECEMBER 9, 1991

for the PHARMACIST



Pharmacist's Reference for Patient Counseling

PHARMACIST'S GUIDE TO PATIENT COUNSELING



Rx section Pg. 9

OTC section Pg. 63

Top 100 prescription products 6
Top 20 generic products 8

RX SECTION 9

Pregnancy/breastfeeding risk factors 10
Aspirin containing Rx products 13
Alcohol-free Rx products 14
Sodium-free/low-sodium Rx products 15
Sugar-free Rx products 17
Contact lens contraindications 19
Generic/BRAND name cross reference 20
Drugs that should not be crushed or chewed 32
Vitamin/mineral deficiencies caused by Rx's 34
Spanish to English guide 36
Patient dosage-form information sheets39
Food with Rx products counseling codes 48
Transdermal products 51
Antibiotic counseling codes 54
Prescription drug mini-advisory codes 57

OTC SECTION 63

Diabetes counseling 64
Sugar-free OTC products 72
Alcohol-free OTC products 74
Aspirin containing OTC products 76
Sodium-free/low-sodium OTC products 77
Antacids 79
Diet aids 82
Home pregnancy testing kits 85
Home ovulation testing kits 86
Laxatives 87
Antidiarrheals 90
Cough/cold/allergy 92
Ear products 95
Internal pain relievers 97
Topical anti-infective/first aid products 100
External analgesics 104
Sunscreens 106
Contact lens care 109
Ophthalmics 112
Oral/mouth sores 115
Hemorrhoids 118
Acne 120
Asthma 122
Lice products 123
Continuing Education: Communications skills 131

THE TOP 100 PRESCRIPTION PRODUCTS

The following list is based on the number of prescriptions dispensed, and includes both brand and generic drugs.

RANK	DRUG NAME	MANUFACTURER	RANK	DRUG NAME	MANUFACTURER
1.	Amoxil	Beecham	51.	Ortho Novum 1/35	Ortho
2.	Lanoxin	Burroughs Wellcome	52.	Pepcid	MSD
3.	Zantac	Glaxo	53.	Polymox	Bristol Myers
4.	Premarin Tabs	Wyeth Ayerst	54.	Carafate	Marion Merrell Dow
5.	Xanax	Upjohn	55.	Lotrisone	Schering
6.	Dyazide	Smith Kline	56.	Retin-A	Ortho
7.	Ceclor	Dista	57.	Penicillin VK	Mylan
8.	Synthroid	Boots	58.	Hismanal	Janssen
9.	Vasotec	MSD	59.	Tavist-D	Sandoz
10.	Seldane	Marion Merrell Dow	60.	Inderal	Wyeth Ayerst
11.	Tenormin	ICI	61.	Vicodin	Knoll
12.	Cardizem	Marion Merrell Dow	62.	Micro-K 10	Robins
13.	Capoten	Squibb	63.	Estraderm	Ciba
14.	Naprosyn	Syntex	64.	Trental	Hoechst-Roussel
15.	Tagamet	Smith Kline	65.	Zestril	Stuart
16.	Prozac	Dista	66.	Pamelor	Sandoz
17.	Calan SR	Searle	67.	Cardizem SR	Marion Merrell Dow
18.	Ortho Novum 7/7/7	Ortho	68.	Slow-K	Summitt
19.	Lopressor	Geigy	69.	EES	Abbott
20.	Augmentin	Beecham	70.	Corgard	Bristol
21.	Dilantin	Parke Davis	71.	Entex LA	Norwich Eaton
22.	Proventil Aerosol	Schering	72.	Ativan	Wyeth Ayerst
23.	Lasix	Hoescht Roussel	73.	PCE 333	Abbott
24.	Voltaren	Geigy	74.	Macrodantin	Norwich Eaton
25.	Tylenol w/Codeine	McNeil	75.	Tegretol	Geigy
26.	Theo Dur	Schering	76.	Inderal LA	Wyeth Ayerst
27.	Darvocet-N-100	Lilly	77.	Transerm-Nitro	Summitt
28.	Micronase	Upjohn	78	Ceftin	Allen & Hanburys
29.	Ventolin Aerosol	Allen & Hanburys	79.	APAP w/Codeine	Purepac
30.	Halcion	Upjohn	80.	ERYC	Parke Davis
31.	Cipro	Miles	81.	Maxzide	Lederle
32.	Mevacor	MSD	82.	E-Mycin 333	Boots
33.	Procardia XL	Pfizer	83.	Lozol	Rhone Poulenc Rorer
34.	Provera	Upjohn	84.	Nicorette	Marion Merrell Dow
35.	Procardia	Pfizer	85.	Clinoril	MSD
36.	Humulin N	Lilly	86.	Lo/Ovral 28	Wyeth Ayerst
37.	Feldene	Pfizer	87.	Propoxyphene N/APAP	Mylan
38.	Triphasil 28	Wyeth Ayerst	88.	Zovirax	Burroughs Wellcome
39.	Coumadin	Dupont	89.	Veetids	Squibb
40.	Lopid	Parke Davis	90.	Iletin I NPH	Lilly
41.	DiaBeta	Hoescht-Roussel	91.	Anaprox DS	Syntex
42.	Trimox	Squibb	92.	Slo-Bid	Rhone Poulenc Rorer
43.	Monistat-7	Ortho	93.	Ansaid	Upjohn
44.	Glucotrol	Roerig	94.	BuSpar	Mead Johnson
45.	Amoxicillin Trihydr.	Biocraft	95.	Prinivil	MSD
46.	Motrin	Upjohn	96.	Duricef	Mead Johnson
47.	Valium	Roche	97.	Hydrocodone w/APAP	Barr
48.	Ibuprofen	Boots	98.	K-Dur	Key
49.	Timoptic	MSD	99.	Flexeril	MSD
50.	Nitrostat	Parke Davis	100.	Orudis	Wyeth Ayerst

THE TOP 20 GENERIC PRODUCTS

The following is based on number of prescriptions dispensed during 1990 for all manufacturers of the drugs listed.

RANK	DRUG NAME
1.	Amoxicillin Trihydrate
2.	Penicillin VK
3.	Prednisone
4.	Ampicillin
5.	Doxycycline Hyclate
6.	tetracycline NCl
7.	Ibuprofen
8.	Hydrochlorothiazide
9.	Erythromcyin Stearate
10.	Acetaminophen w/Codeine
11.	Cephalexin
12.	Erythromycin Base
13.	Hydrocortisone Cream
14.	Trimethoprim-Sulfamethoxazole
15.	Amitriptyline
16.	Furosemide
17.	Nystatin
18.	Diazepam
19.	Phenobarbital
20.	Lorazepam

The newspaper of drug store retailing

January 6, 1992

DRUG STORE NEWS

Vol. 14 No. 1

A Lebhar-Friedman publication

Dot: An end to operations?

LENEXA, Kan. — Dot Drug Stores may close operations within the next few weeks, two years after its takeover from Wal-Mart Stores by a small team of investor-managers. The company's financial troubles have mounted despite a massive effort to revitalize and reposition the 14-store chain in its five Midwestern markets.

Dot acknowledged its problems in a Dec. 12 letter to vendors. In that letter, Dot chairman Jerry Gaddis told suppliers: "The recent poor economic climate, the entry of new competition into our best market areas and other events beyond our control have had a significant negative impact upon our revenues and income.

"Despite cutting our costs to the bone and many efforts to obtain additional financial resources, we have made the extremely difficult decision that we are unable to continue doing business," Gaddis continued. He added that Dot would "use our best efforts" to pay vendors' outstanding claims, but said the company's secured lender, Bergen Brunswig, "has a first lien on all our assets."

Gaddis noted the company has developed a plan to "systematically close stores and liquidate inventory over the next 60 days" in order to pay its debts. He said negotiations were ongoing in attempts to sell

See **Dot** *page 37*

CVS to depart Calif.; American gets stores

CVS, citing its market share, abandons its western operation with an agreement to sell 85 stores to American Drug. American quickly adds to its mass of 221 Sav-ons.

RYE, N.Y. — CVS signed an agreement to sell its 85 drug and HBA stores in California to American Drug Stores, ending a decade-long effort to build market share on the West Coast. The sale is expected to be finalized in February.

American, parent company of Osco and Sav-on, will purchase all CVS assets in the Golden State, including 63 drug stores, 22 HBA stores operated as Consumer Value Stores and CVS' distribution center in Rancho Cucamonga. CVS regional headquarters is in Santa Ana; the stores are concentrated in the greater L.A. region.

Following the sale, CVS will operate 1,175 drug and HBA stores in 16 eastern states and the District of Columbia, with operations as far west as Michigan. CVS president Harvey Rosenthal told *Drug Store News* the decision to sell the stores was not made lightly.

Harvey Rosenthal
'Good for both companies'

"CVS has been in Southern California for quite a long time, but without acquisitions it was difficult to build a big enough market share to be competitive," he said. "I have mixed feelings about it because people worked very hard at it for a long time, the stores continue to show improvements, and it's a growing market."

Nevertheless, said Rosenthal, "In the long term, I think it's good for both companies. It enables us to focus our resources in the East, and on our major task of integrating the Peoples stores." He added that the West Coast stores were well-run, but "were not producing at the rate of CVS as a whole."

In addition, running the stores thousands of miles away from CVS' headquarters in the Northeast was logistically difficult, Rosenthal added.

LATE NEWS

•WOODBRIDGE, N.J. — Supermarkets General Holdings Corporation finalized the sale of its Purity Supreme operation, which operates 63 Purity supermarkets in New England and 63 Li'l Peach convenience stores in Massachusetts, to Freeman Spogli & Co. for $265 million. SGHC will retain a 10 percent common equity interest in the company, which generated sales of $1.3 billion in 1990.

•RIDGEFIELD, N.J. — Neuman Wholesale Drug Company, a New York-area wholesaler of pharmaceuticals and HBA, merged with Rahway, N.J.-based James Wholesale Drug Co. The merger increases Neuman's customer base and gives Neuman control of James' durable medical equipment subsidiary.

FEATURES

Less going out lifts videotapes

Skittish consumers look to home videos for fun as they spend less on going out. **Page 9.**

Basics rule personal care

Few fads make it in personal appliances today, say buyers on their way to NHMA Show. Coverage and show planner. **Page 25.**

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

3-DIGIT 208
012445?7 DR 9213 005/01871
ATTN: SRI
CONGRESSL INFO SVC
4520 E W HWY
BETHESDA MD 20814

SECOND CLASS

RxPlus closes 22 stores

By David Vaczek

PHOENIX — RxPlus has closed 22 drug stores as it prepares to reorganize under a Chapter 11 bankruptcy petition approved last month by the bankruptcy court here.

The stores were located throughout the chain's markets of operation, in Arizona, New Mexico, Texas and Colorado, and were unprofitable, said Robert Morick, senior vp-marketing.

Morick said RxPlus, now with 118 stores, is in the process of securing debtor-in-possession financing which will allow the stores to continue in operation while a debt reorganization plan is drawn up.

He declined to comment on the chain's total assets and liabilities and those numbers were not immediately available from court papers.

An RxPlus filing does name the top 20 creditors, all owed over $100,000.

Alco Health is the largest, owed $10.5 million, followed by Qualex, Inc., $611,680, American Greetings, $512,069, Revlon Cosmetics,

See **RxPlus** *page 37*

Hoven fills Adamson's Revco post

D. Dwayne Hoven has stepped into the management void left by executive vp-marketing Jim Adamson, who left Revco for Burger King USA.

By James Frederick

TWINSBURG, Ohio — D. Dwayne Hoven, executive vp-stores for Revco D.S., has been named executive vp-marketing and stores following the departure early last month of executive vp-marketing Jim Adamson. The move, which Hoven characterized as an interim step, puts him in ultimate control of all marketing, merchandising and operations activities.

Hoven

Thus, Hoven will oversee such areas as pharmacy operations, all purchasing, inventory management, marketing services, store operations and

See **Hoven** *page 37*

NEWS IN BRIEF

O&M names MIS chief

RICHMOND, Va. — Owens & Minor has named Richard Farinholt as vp-information systems. Farinholt was most recently president of Information Technology Group, Inc., his independent consulting firm.

Prior to that, he was president of HealthNet Inc., which had provided information technology support for its parent Consolidated Health Care Inc.

The wholesaler has also advanced its medical supply business with the purchase of the Omaha, Neb.-based Koley's Medical Supply, Inc.

The buy of all the stock was completed on Dec. 2.

"Koley's has an outstanding reputation as a health care distributor and is recognized as a leader in providing stockless inventory management programs to hospitals," said O&M president and ceo G. Gilmer Minor III.

Koley's services Iowa, Nebraska and parts of Kansas and Missouri.

Cosmetic Center makes *Forbes'* list

BALTIMORE — The Cosmetic Center, Inc., which closed its 1991 fiscal year in September with just under $90 million in sales, was listed in *Forbes'* November 11 issue as one of America's 200 Best Small Companies.

The company, which operates 37 stores specializing in beauty products, has recorded 22 consecutive quarters of increased profits since going public in 1986.

Drug Emporium's Wilber honored

NEW YORK — Drug Emporium CEO Gary Wilber will be given the Anti-Defamation League's Health and Beauty Care Division's Man of Achievement award at a dinner on February 13 at the New York Hilton Hotel.

Wilber receives this honor in recognition of his community support which includes work with the Cystic Fibrosis Foundation, the Big Brothers/Big Sisters Association, the Children's Miracle Network Telethon and the United Way.

He is also being recognized for success in creating industry trends and meeting customer demands, enabling Drug Emporium to sustain its growth from a single store in 1977 to a chain of 218 stores nationwide.

"Gary Wilber has long devoted himself to the service of the community and to leadership in the health and beauty industry," said Dinner Chairman Roy Benjamin, executive vp of Cosmair, Inc.

Arbor wins retailer award

TROY, Mich. — For the sixth consecutive year, Arbor Drugs has won a High Performance Retailer Award, one of only 17 retailers nationwide to have been so cited.

The award recognizes companies that consistently demonstrate an ability to outperform the marketplace. It is sponsored by *Chain Store Age Executive*, a sister publication of *Drug Store News*, and Management Horizons, the Columbus, Ohio-based consulting arm of Price Waterhouse.

"As the only drug store chain throughout the country to be a member of the High Performance Club, we are very pleased to be among such illustrious retailers. . .as Nordstrom, The Gap, Toys 'R' Us, and Dillard," commented Arbor chairman and ceo Eugene Applebaum.

IN THIS ISSUE

FEATURES

Weber Overset 6

COSMETICS AND FRAGRANCES

Beauty Beat 30
Category in Motion 31-33

GENERAL MERCHANDISE

Blank Videotapes 9
Batteries/Flashlights 13
Personal Care Appliances 25-26

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Product Updates 28
Store Manager Training 34
Supplier News 36
Finance 38

Alco's stock offer will raise about $95 million in capital

VALLEY FORGE, Pa. — Alco Health Services is going public to ease its debt and raise working capital—about three years after a $550 million leveraged buyout.

The structured plan

The company will sell 6,300,000 common shares to the public and projects it will raise about $95 million with an estimated price per share of $15. Also, Alco will recapitalize, retiring a total of about $86 million in "junk bond" debentures by providing the holders with 3 million more common shares and cash, according to a registration statement filed with the Securities and Exchange Commission.

Parent company takes stock

The Alco Health Distribution Corp., owner of Alco, will use some of the proceeds from the stock sale for working capital and acquisitions, while the recap will reduce long-term debt by $124.3 million to about $446.6 million, it said in the S-1 statement.

The new stock will trade on the NASDAQ exchange, under an unnamed symbol.

Alco officials said they can't comment on the filing which is in "a quiet period" pending SEC review.

Equity increases

With the transactions, Alco boosts its equity as the number of outstanding common shares will increase from 4.9 million to 14.3 million. Stockholders' equity grows from minus $68.3 million to plus $49.0 million.

Alco will still be a highly-leveraged company but it is eliminating significant interest costs on high-yield notes.

"Although the application of the proceeds of the offering and the recapitalization of certain debt will reduce the company's indebtedness, the company's financial position will continue to limit its flexibility in responding to changing business and economic conditions," it said in the filing.

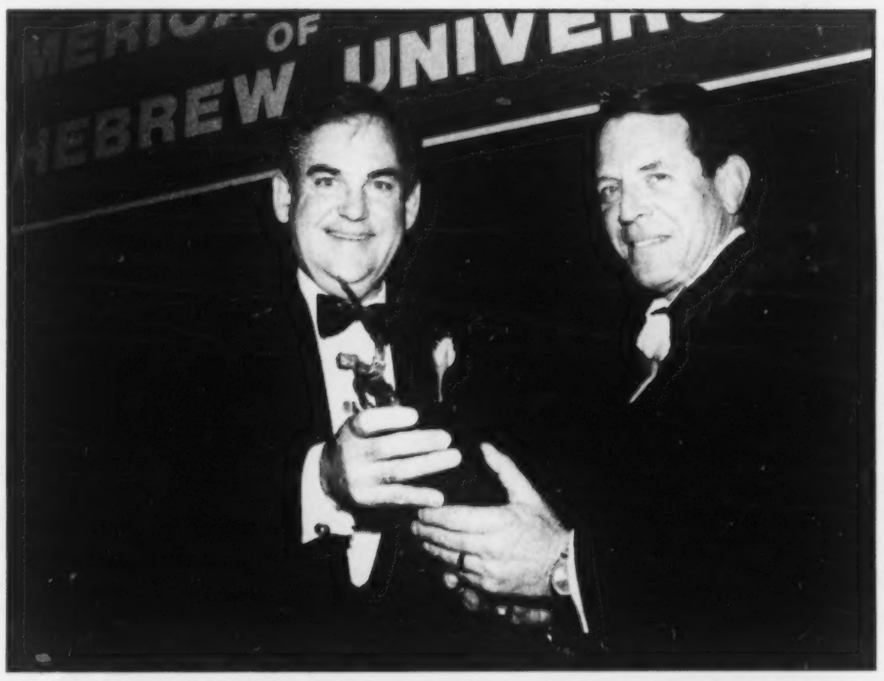
The owners of all 18 percent senior subordinated debentures, total value $15.9 million, and the owners of all 19½ percent junior subordinated debentures, value $27.9 million, will trade the debentures for common shares. Citicorp Investments, Inc., the major LBO investor, is exchanging $15.5 million of the senior debt, and $27 million of the junior debt for stock.

Cash to be paid

Alco will pay cash—from the proceeds of the stock sale—to buy all of the outstanding high-yield "merger debentures," equaling $42.3 million.

The fourth largest drug wholesaler with revenues of $2.8 billion in the fiscal year ended Sept. 30, Alco since its LBO has focused strongly on building efficiencies. Facilities were consolidated from 31 to 19.

Heller of May's receives Torch of Learning award



Gerald Heller (right), president and ceo of Tulsa-based May's Drug Stores, received the American Friends of the Hebrew University's Torch of Learning Award from Ron Ziegler, president and ceo, NACDS. More than 800 people attended the dinner in honor of Heller's commitment to pharmacy research and education at the Hebrew University.

Clarification

The methodology of the Consumer Brands Preference Study that appeared in the December 9 issue of *Drug Store News* was inadvertently omitted with the study. The study was a national phone survey of 1,000 households conducted in June 1991. The survey was answered by the chief shopper of the household, in 761 cases women; in 239 men.

Sampling error ranges between plus or minus one to three percent for the total sample of 1,000 households. That margin is larger for subgroups (such as regional areas) where sampling error ranges from plus or minus two to seven percent. It is a nationally projectable survey.

The complete Consumer Brands Preference Study covers 32 categories. It is available for sale. For more information, contact: Jill Manee, associate publisher, *Drug Store News*, 425 Park Avenue, New York, N.Y. 10022 (212) 756-5224 FAX (212) 756-5250.

Corrections

In the November 25, 1991 issue of *Drug Store News*, several identification errors were made in reporting the page 14 article on Duane Reade winning the Rex Regional Chain of the Year Award. The correct identifications are: Abe Cohen is chairman; Eli Cohen is president and ceo; Leon Cohen is vice president and Howard Smith is regional vice president of SP Drug.

The December 9, 1991 issue ran a Nielsen Marketing Research chart which was mislabeled. The chart should have run as follows:

Division of Drug Store Sales By Store Size and Ownership

	Years			First Six Months		
	1986	1987	1988	1989	1990	1991
Medium/small independents (sales under $500,000)	16.7%	14.5%	12.7%	11.1%	9.6%	8.7%
Large independents (sales over $500,000)	23.2	24.3	25.1	25.5	26.4	27.3
Chains	60.2	61.1	62.2	63.4	64.0	64.1
Total dollar sales (billions)	50.3	53.5	57.9	62.9	67.8	35.7

Year ending Dec. 31

Source: Nielsen Marketing Research.

Economy, technology were '91's big stories

IN THE MARKET
BRUCE BUCKLEY

The biggest stories aren't always the one that make the front page. They happen in smaller doses, like waves changing a shore. For the chain drug industry, the shoreline has shifted in some good and bad ways this past year. And here, reflecting some of these changes, is my annual list of the 10 top stories of the year. Notice that none of them are "front page" items.

1. 1991 was the year in which POS scanning turned the corner in the chain drug industry. Many chains have been experimenting with the technology, and a few have rolled out systems chainwide. But last year the trickle became a stream.

2. Story number 1 leads inevitably to number 2: the development of sophisticated software systems that allow much greater control in the areas of product selection, inventory and shelf management, pricing efficiency, distribution and promotion tracking.

3. And story number two leads to 3: More information and greater control allows chains to tailor their marketing efforts down to the individual neighborhood store or stores, a process that is gathering force and will reach fulfillment in the '90s.

4. Investment in store growth last year lost ground to investment in stores. As the nation's credit woes dried up the once plentiful selection of retail sites, chains moved more of their capital resources into increasing the return from existing assets. The result: Smashing new prototypes turned up all over the place, vying with one another for design awards.

5. As a corollary to investing at store level, chains put more emphasis on training and customer service. The object: to take a page from the independents' manual and become the corner drug stores of the '90s. The stronger independents, meanwhile, rushed to wrap themselves, through their wholesalers, in the technological and merchandising sophistication of chains.

6. Partnership and alliances became the hot buzzwords in an industry searching for relief from withering competition and dwindling consumer confidence. Win Weber's articles in last month's issue on overcoming mistrust between retailers and vendors cut through the rhetoric and put the partnership issue in sharp relief. But the fact remains that the chain drug industry has made great strides in establishing productive relationships.

7. Despite chains' leaner profiles, the faltering economy took a toll on their bottom lines. There were some casualties in 1991 and there will probably be more next year.

The result of investment in store growth was smashing new prototypes that vied for design awards.

8. It wasn't only the economy that wreaked havoc. Supermarkets and discount chains stepped up their onslaught. That was the bad news. The good news is that good drug store operators have learned to survive, yes, even Wal-Mart.

9. Pharmacy continued to gather steam as the engine driving the drug store industry, a trend that is likely to increase as the demographics of the '90s take hold. The flip side: More third-party prescriptions will mean continually eroding margins.

10. The pressure to change the entry level pharmacy degree to Pharm.D. is growing, despite the documented adverse effect on the supply of pharmacists. This was a big story in 1991 whose effects may not take hold until the 21st Century.

How does your list compare? Let me know.

Congress drops ball on drug stores for '92

WASHINGTON PERSPECTIVE
KEN RANKIN

For the next six months at least, the nation's drug stores figure to be working overtime to counter the effects of our chilly economic climate.

How much help can the industry count on from Washington? Practically none!

While thousands of businesses are fighting for survival and millions of workers are worrying about their jobs, Washington is marching to a different drummer.

Instead of developing legislation to stimulate business growth and employment, Congress is focusing in on schemes that will make it more difficult and more expensive to create jobs.

Here's what drug stores can look for from Washington in '92:

Higher labor costs thanks to a series of legislative schemes under serious consideration on Capitol Hill. Mandated health insurance benefits for workers, national family leave requirements and measures to restrict hiring of replacement workers for strikers all figure to make it more costly to keep employees on the payroll.

Rising transportation costs resulting from plans for a multi-billion dollar hike in federal motor fuel taxes, plus an assortment of new government rules regulating truck emmissions, drug testing requirements for drivers and the transport of hazardous materials.

Increased store construction expenses stemming from a series of stiffer environmental requirements, plus new handicapped access regulations for all new and remodelled retail outlets under the Americans with Disabilities Act.

Reduced government hiring incentives under programs such as Targeted Jobs Tax Credits (funding runs out this summer) and the Job Training Partnership Act (Congress is eyeing new restrictions on trainees eligible for federal assistance).

Tougher federal enforcement standards and stiffer penalties for businesses charged with violations by the Labor Department, FDA, OSHA and other Washington regulatory agencies.

Stepped up litigation risks for employers in the wake of last year's Civil Rights bill which makes it easier for workers to seek damages for alleged job bias.

To be sure, there's a case to be made on behalf of each of these initiatives.

Certainly, workers deserve protection from employment discrimination, the disabled should have access to places of public accommodation and problems such as pollution, health care and substance abuse need to be addressed.

But increasingly, Washington appears to be placing the burden of solving these social problems on the shoulders of employers who are themselves fighting for survival.

It's time to shift gears and start creating a climate that encourages drug stores and other businesses to create new employment opportunities.

DRUG STORE NEWS®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Pharmacy Editor **Dianne Tharp, R.Ph.**
Senior Editor **David Vaczek**
Desk Editor **Carol Kearney**
Assistant Desk Editor **Fred Rueckher**

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Art Director **Bob Brokman**
Graphic Artist **Maryellen Seery**

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Nat'l Accounts Manager **Larry Krongold**
N.Y. Area Manager **Dan Bagan**
N.Y. Area Manager **John Kenlon**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Office Manager: **Angela Ftaras**
Chicago 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
Area Manager: **Maggie Kaeppel**
Office Manager: **Beverly Wendtland**
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, (213) 464-8321
Office Manager: **Maureen Jackson**

Group Circulation Director
Matthew J. Clancy, Sr.
(3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746)
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr.
Debbie Rothenberg
Business Manager **Joel Safir**

Board of Advisers

Judie Doherty, McKesson Corp.
Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
John Jennings Brooks Drug, Inc.
Tim McAlear Pay Less Drug Stores NW
Frank Newman F & M Distributors
David Schwartz Smitty's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Flier**
VP/Publisher **Jay Forbes**
VP/Finance **James Granato**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
Director, Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Homespun America focuses on video entertainment

Blank videotape sales grew meaningfully at drug chains in 1991, as consumers entertain more at home and tighten their recreational spending, buyers told *Drug Store News*.

The other good news is that videotape consumers are using more high-grade tapes for specific events—and that has helped drive volume gains of 4 to 6 percent, report suppliers. That's below the 18 percent surge experienced in 1990, but is still strong compared with other recent years in this mature market.

Video cassette recorder sales grew by two percent, and that also helped build demand for tapes. And as of mid-year, a huge 72.5 percent of U.S. households had VCRs, according to Nielsen Media Research.

Meanwhile, camcorder sales grew 10 percent, propelling sales of 8mm tape.

Blank video cassettes have gained a sizeable foothold in drug chains, and for very good reasons. They're purchased most often by customers drug chains most want, women over 25 years old, with disposable income for non-essentials.

At the cash register the store gains a sizeable ring, with a 10 percent to 20 percent margin on sale. Increasing sales of multi-packs and the longer-playing eight hour tapes from such vendors as BASF continue to drive dollar sales.

Proof of tapes' success in drug stores was shown in recent years as the Scotch brand tape has consistently ranked in the *Drug Store News*' Annual Triple A Product Study among the top-moving drug chain SKUs.

Yet, drug stores must fight tooth-and-nail to maintain their share against advantages brought by other mass retailers to tape merchandising. Discount stores are selling tapes along with the hardware to run them.

Supermarkets have made a strong bid for this business—which is largely impulse—by building attention with departments for rental and sell-through of pre-recorded tapes.

Chains who grab the impulse purchase unleash blank video cassettes' sales potential.

Camcorder sales gain popularity
(unit sales to dealers, in thousands)

Year	Units shipped
1987	1,604
1988	2,044
1989	2,286
1990	2,962
1991 (est.)	3,255

Source: Electronic Industries Association.

"People are extremely price-sensitive [on tapes]," says Cynthia Stahley-Zuniga, a buyer at Genovese Drugs, who said the chain advertises tapes two or three times a month.

Genovese carries a typical drug chain assortment of four brands and one no-name, siting the everyday assortment near pre-recorded tapes where possible in the stores. Stahley-Zuniga also puts them on quarter- and mini-panels around the store for the impulse buyer.

Genovese placed more emphasis on high-grade in the fourth quarter, promoting three-packs from Scotch and Maxell that include one high-grade tape with two of standard grade.

Such "trade-up" units introducing customers to high grade enable retailers to reach a price point that gives consumers a bargain on both tape grades, observes Marty Millman, director of purchasing at Austin Drugs.

Consumers through the year buy high-grade tapes at Austin for vacations and special events. "The guy who wants to tape TV soap operas every day doesn't want a high-grade tape," says Millman, who carries Scotch, TDK, Maxell and Fuji.

Doc's Drug in suburban Chicago will be sharp this season in featuring a Memorex two-pack at $4.99, notes controller, Jeff Haran.

"Every time you pick up an ad, Longs, Pay Less, Kmart or somebody has a lower price, [featuring] every other week a Sony, Maxell or Polaroid," said Frank Hyodo, a buyer at Bill's Drug in Benecia, Calif.

Price isn't Hyodo's only worry. Bills' has stopped carrying off-brands to make a quality statement to consumers less willing to gamble with an unknown commodity, Hyodo says.

Tape vendors are planning high-profile promotions

Branded videotape suppliers will link promotions and advertising around major sports programs and other significant events in 1992. That's pure logic, since consumers are time-shifting more than ever, and using high-quality tapes often to record programs for more convenient viewing.

What better way to have a brand name stand out in a crowded field?

The 1992 Winter and Summer Olympics are certain to spur increased demand for videotapes, industry sources say.

As the official audio/video tape of 1992's Summer and Winter Olympic Games, Scotch 3M will be a leading advertiser. It's launching seasonal FSIs that play up high-grade and 8mm tapes, and a sweepstakes for a trip to the Olympic games.

Scotch in 1992 also offers a free on-pack Duracell "campack" that holds five nine-volt batteries for running a camcorder, with the purchase of an 8mm four-pack. And with the purchase of an eight-pack of Scotch high-quality tapes, the consumer gets a free pair of stereo ear phones.

Also, discounts on Christmas lights and photofinishing will be available to customers who buy Scotch 3M tapes in drug stores in 1992, says Tom Zohn, video market development manager.

For the third year, Fuji will tie into another American TV tradition. It's the official tape of the National Football League. In 1992, Fuji hosts for the second year in "key markets" its "Toys For Tots" promotion. Persons have the chance to donate toys, and draw for a trip to the Super Bowl, says Brad Friedrich, director of marketing-magnetic products.

Other suppliers are returning to promotions that worked well in 1991.

Polaroid this year will repeat its successful picnic promotion in which all Polaroid products including film were promoted together through a national FSI, with a picnic cooler as a value-added prize.

In a separate promotion, Polaroid offers a free subscription to *Video Maker* Magazine, which is read by camcorder users, with the purchase of high-grade VHS, 8mm or VHS-C tapes, says Don Patrican, director of marketing, U.S. consumer products.

In 1991, Maxell and Rand McNally offered "The Great American Family Vacation" promotion of a $10,000 vacation. The contest breaking this month encourages consumers to send Maxell 8mm and VHS-C tapes of their children with the winning entry receiving a $10,000 U.S. Savings Bond, says Peter Brinkman, national marketing manager.

Fay's profits decline as seasonal, GM sales lag

LIVERPOOL, N.Y. — Below-target sales in seasonal and general merchandise in the drug stores and in the Paper Cutter office supply stores put a drag on Fay's profits in the third quarter, the company said.

Net earnings for the quarter ended Oct. 26 were $1.06 million, 7 cents per share, compared with earnings in last year's quarter of $1.91 million, 12 cents a share, with the 1990 earnings including a $664,000 extraordinary charge.

The quarter's sales increased 17.7 percent to a record $212.6 million, as same-store sales grew 3.5 percent. Fay's at the end of the quarter was operating 307 drug stores, including Carls, compared with 240 stores last year.

Earnings for the first three quarters are $4.14 million versus $6.06 million last year, which includes $1.24 million in special charges.

Nine-month sales are $597.2 million, 23.9 percent better than last year, with same-store sales up 5.3 percent.

"Although our third quarter results were extremely disappointing, pharmacy and traditional drug store merchandise sales held up very well," said chairman Henry Panasci, Jr. Panasci said recessionary pressures caused GM and seasonal items to fall below projections.

"Execution of our marketing plan and cost containment efforts will be of prime importance in reaching our fourth quarter goals," Panasci added.

Big B reverses 3rd qtr. loss

BESSEMER, Ala. — Big B said net income in the third quarter ended Oct. 26 rose to $393,000, compared with a loss of $959,000 in last year's third quarter. Net income for 38 weeks reached $3.28 million, compared with a loss of $959,000 in the comparable period last year.

Third quarter sales reached $108.43 million, up 5.1 percent, with Big B operating 304 stores, seven less than it had in last year's third quarter. Three-quarter sales are $347.9 million compared with $327.3 million last year.

Meanwhile, budget-conscious consumers caused same-store sales to decline at Bruno's, Big B's supermarket-operating parent, Bruno's said. The decline for the first quarter ended Sept. 21 was furthered, the company said, by deflation.

Bruno's said same-store sales were off 0.6 percent in the quarter ended Sept. 21. The customer count increased, but sales per customer declined in a recessionary climate, Bruno's said. "We also experienced another factor which we have not seen in quite some time—deflation. . . We shipped 7 percent more cases through our distribution centers, but sales were up only 5 percent, indicating a decline in prices," the company said.

Genovese posts record net, sales

MELVILLE, N.Y. — Genovese posted record sales and earnings in the third quarter and 40 weeks ended Nov. 8.

Sales for the quarter were $97.50 million, 4.3 percent better than in last year's quarter, and net income increased 33.3 percent to $1.31 million.

For the 40 weeks, sales rose 3.8 percent to $330.96 million, with net earnings soaring 40.7 percent to $3.99 million (results include a $238,000 gain from the sale of two stores).

Bergen stung, earnings affected

ORANGE, Calif. — Bergen Brunswig said that an $8 million provision to cover "probable losses incurred in connection with credit extended to certain customers" will reduce first quarter earnings.

Net earnings for the quarter ended Nov. 30 will be about $8.5 million, the wholesaler estimated.

Bergen officials cited an increasingly competitive marketplace, and "reduced opportunity for investment buying" due to makers' price increases.

MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$	19.38
Largest Dollar Loser	Cardinal Distribution	$	– 6.25
Largest Percentage Gainer	Bolar Pharmaceutical		77.78%
Largest Percentage Loser	Cardinal Distribution		– 20.66%

Advances	36
Declines	22
Unchanged	1
New highs	12
New lows	4

	Close 11/22/91	Close 12/18/91	Net Change	Percent Change
Drug Store News Index	4313.10	4453.26	140.17	3.25
Dow Jones Industrial Average	2902.73	2908.09	5.36	0.18
Standard & Poor's 500-Stock Index	376.14	383.48	7.34	1.95
N.Y.S.E. Composite	208.16	211.44	3.28	1.58
Value Line Index	234.26	230.03	– 4.23	– 1.81

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 11/22/91	Closing Price 12/18/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc. (L)	ACCU	3.63	4.25	0.63	17.24	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs (H)	ARBR	20.75	23.25	2.50	12.05	26	0.12	0.52	23.50	12.38
OTC	Big B	BIGB	12.00	11.25	– 0.75	– 6.25	15	0.16	1.42	14.50	7.13
OTC	Drug Emporium	DEMP	6.25	6.00	– 0.25	– 4.00	86	0.12	2.00	9.63	5.75
NYS	Fay's Inc.	FAY	9.38	8.88	– 0.50	– 5.33	15	0.20	2.25	15.75	7.75
ASE	Genovese Drug	GDX.A	14.00	13.63	– 0.38	– 2.68	15	0.24	1.76	14.63	5.00
NYS	Longs Drug Stores	LDG	34.63	35.13	0.50	1.44	13	1.08	3.07	44.38	30.88
OTC	Medicine Shoppe	MSII	23.00	24.50	1.50	6.52	19	0.36	1.47	28.75	18.00
NYS	Perry Drug (H)	PDS	8.13	8.75	0.63	7.69	15	0.00	0.00	9.13	3.75
NYS	Rite Aid Corp.	RAD	18.50	19.63	1.13	6.08	14	0.48	2.45	23.88	17.25
NYS	Walgreen Co. (H)	WAG	31.88	35.63	3.75	11.76	23	0.52	1.46	36.13	24.75
Wholesaler's transactions											
ASE	Bergen Brunswig (L)	BBC	20.63	17.00	– 3.63	– 17.58	13	0.40	2.35	26.19	16.00
OTC	Bindley Western Ind.	BIND	17.38	17.13	– 0.25	– 1.44	13	0.04	0.23	18.25	11.38
OTC	Cardinal Distribution	CDIC	30.25	24.00	– 6.25	– 20.66	21	0.08	0.33	38.75	20.00
OTC	Durr-Fillauer (L)	DUFM	20.75	19.75	– 1.00	– 4.82	13	0.28	1.42	34.75	17.50
NYS	McKesson Corp.	MCK	34.50	33.63	– 0.88	– 2.54	14	1.60	4.76	40.13	30.38
ASE	Moore Medical	MMD	4.25	3.38	– 0.88	– 20.59	—	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	20.38	20.50	0.13	0.61	24	0.20	0.98	24.25	9.34
Manufacturer's transactions											
NYS	Abbott Labs	ABT	58.63	61.13	2.50	4.26	25	1.00	1.64	61.38	39.25
NYS	American Home Products (H)	AHP	74.63	79.50	4.88	6.53	19	2.60	3.27	79.50	46.50
ASE	Barr Laboratories	BRL	20.50	18.50	– 2.00	– 9.76	29	0.00	0.00	37.50	7.75
NYS	Baxter International	BAX	36.13	37.75	1.63	4.50	19	0.72	1.91	39.38	25.63
OTC	Block Drugs Co. (H)	BLOCA	60.00	58.25	– 1.75	– 2.92	19	0.84	1.44	60.19	35.94
ASE	Bolar Pharmaceutical (H)	BLR	5.63	10.00	4.38	77.78	—	0.00	0.00	10.13	2.00
NYS	Bristol-Myers Squibb	BMY	80.25	80.38	0.13	0.16	21	2.76	3.43	87.88	61.13
NYS	Carter-Wallace (H)	CAR	100.50	119.88	19.38	19.28	40	1.00	0.83	120.38	52.63
ASE	Columbia Labs (H)	COB	7.88	8.75	0.88	11.11	—	0.00	0.00	9.75	4.00
ASE	Forest Labs	FRX	38.38	38.63	0.25	0.65	38	0.00	0.00	43.63	22.38
ASE	Halsey Drug	HDG	6.75	7.06	0.31	4.64	28	0.00	0.00	8.25	2.25
NYS	ICN Pharmaceutical	ICN	16.00	17.75	1.75	10.94	—	0.00	0.00	19.00	2.50
ASE	Lee Pharmaceutical	LPH	1.00	0.88	– 0.13	– 12.50	—	0.00	0.00	2.25	0.81
ASE	Leiner P. Nutrition	PLI	13.00	13.50	0.50	3.85	13	0.00	0.00	13.88	7.25
NYS	Lilly Eli Co.	LLY	73.75	76.88	3.13	4.24	18	2.20	2.86	85.13	67.50
NYS	Marion Merrell Dow	MKC	31.50	35.25	3.75	11.90	18	0.92	2.61	39.63	27.25
NYS	Merck Co. (H)	MRK	144.13	152.13	8.00	5.55	29	2.52	1.66	152.38	82.00
NYS	Mylan Labs	MYL	36.88	36.88	0.00	0.00	38	0.20	0.54	39.88	17.13
OTC	Nutramax Products	NMPC	7.63	8.88	1.25	16.39	25	0.00	0.00	9.00	0.88
NYS	Pfizer Inc. (H)	PFE	68.00	73.63	5.63	8.27	28	1.32	1.79	75.88	36.75
NYS	Pharmaceutical Resources	PRX	3.88	4.38	0.50	12.90	—	0.00	0.00	5.88	2.63
NYS	Rhone-Poulenc Rorer (H)	RPR	55.50	61.25	5.75	10.36	23	0.48	0.78	61.25	33.75
NYS	Schering Plough	SGP	60.88	62.13	1.25	2.05	22	1.32	2.12	65.63	40.75
NYS	Syntex Corp.	SYN	38.25	41.75	3.50	9.15	22	0.92	2.20	47.88	26.88
OTC	Taro-Vit Industries	TAROF	5.88	5.75	– 0.13	– 2.13	44	0.00	0.00	6.50	2.63
OTC	Teva Pharmaceutical Ind.	TEVIY	17.25	16.00	– 1.25	– 7.25	16	0.16	1.00	20.25	11.00
NYS	Upjohn Co.	UPJ	40.13	39.63	– 0.50	– 1.25	14	1.36	3.43	49.25	34.75
NYS	Warner-Lambert	WLA	70.50	69.38	– 1.13	– 1.60	17	1.76	2.54	82.25	61.75
OTC	Zenith Labs	ZENL	12.00	13.25	1.25	10.42	36	0.00	0.00	23.25	5.50
Other retailer transactions											
NYS	Albertson's	ABS	35.88	35.25	– 0.63	– 1.74	19	0.56	1.59	51.38	32.63
NYS	American Stores	ASC	28.75	27.63	– 1.13	– 3.91	7	0.68	2.46	46.19	26.00
NYS	Giant Food	GFS.A	21.13	23.00	1.88	8.88	13	0.64	2.78	31.25	20.63
NYS	Great Atlantic&Pacific Tea (L)	GAP	26.13	26.25	0.13	0.48	9	0.80	3.05	57.75	26.00
NYS	Kmart	KM	39.50	40.88	1.38	3.48	11	1.76	4.31	49.50	25.63
NYS	Kroger	KR	17.38	18.75	1.38	7.91	13	0.00	0.00	24.50	12.63
NYS	Melville Corp.	MES	40.38	39.25	– 1.13	– 2.79	12	1.44	3.67	55.25	38.75
OTC	Fred Meyer	MEYR	21.75	22.38	0.63	2.87	14	0.00	0.00	24.75	11.25
NYS	Penney, JC	JCP	49.63	49.38	– 0.25	– 0.50	14	2.64	5.35	58.25	42.38
NYS	Safeway	SWY	16.75	17.13	0.38	2.24	13	0.00	0.00	21.63	11.75
NYS	Smith's Food & Drug	SFD	35.63	31.00	– 4.63	– 12.98	19	0.36	1.16	43.75	28.13
NYS	Wal-Mart (H)	WMT	47.13	53.13	6.00	12.73	41	0.16	0.30	53.38	28.50

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 1 Jan. 6, 1992

C5150-2

The newspaper of drug store retailing

February 3, 1992

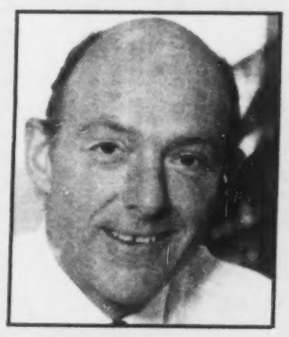
DRUG STORE NEWS

Vol. 14 No. 3

A Lebhar-Friedman publication

Revco sweetens its offer to creditors

TWINSBURG, Ohio — At press time, Revco D.S. weighed in with its own counterpunch in the struggle to determine the company's future: a sweetened offer to creditors.



Sells

Revco's new plan offers creditors more than $100 million in cash—double the amount proposed in Revco's original reorganization plan. That first plan was floated last June and later abandoned when Revco switched its support to the rival TBN plan proposed by creditors *(see main story)*. The new plan also offers more Revco equity, as well as new secured notes, to claimants.

"Financially, we believe this plan offers creditors recoveries equal to or better than other plans in this case," said Boake Sells, Revco chairman and ceo. "It also assures an independent Revco, proposes no massive store closings and preserves thousands of jobs. Further, as this plan does not require the time that would be needed for planning store closings or layoffs and has no due-diligence or antitrust risks,

See **Revco** *page 57*

Eckerd grabs the lead in fight to win Revco

With a final, sweetened takeover offer last month during hard bargaining sessions in New York, Eckerd gained the support of key creditor groups in its effort to acquire bankrupt Revco D.S. The move stalls Revco's bid to emerge quickly from Chapter 11, and seriously jeopardizes its efforts to remain independent.

By James Frederick

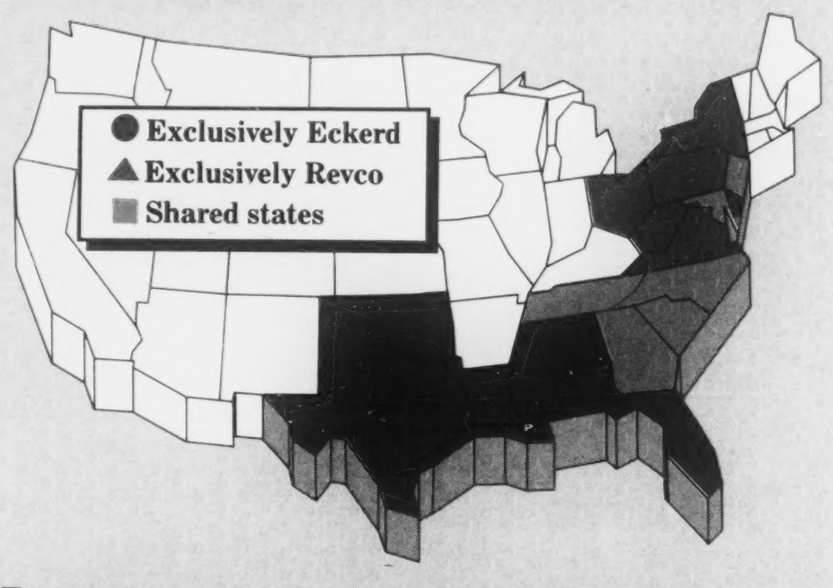
CLEARWATER, Fla. — Jack Eckerd Corp. appears close to a come-from-behind victory in its quest for Revco

Eckerd IPO story pg. 58

D.S., after sweetening its buyout offer in an intense round of 11th-hour negotia-

See **Eckerd** *page 57*

How Eckerd's map may change



Even after closing a possible 300 Revcos, Eckerd would be the country's largest drug chain with 2,500-plus stores. Sales of $5-$6 billion would place Eckerd second only to Walgreens.

LATE NEWS

• TULSA, Okla. — May's Drug Stores has chosen this city as the site of a new 50,000-square-foot distribution center, which is expandable to 90,000 square feet over the next three to five years, said president Gerald Heller. FoxMeyer, its primary wholesaler, will lease and manage the facility, and relocate all merchandise now stored in Joplin, Mo. and elsewhere in Tulsa, to the new DC in March.

• MANHASSET, N.Y. — David Thalheim, president of Thalheim Expositions since 1987, has resigned to pursue other interests. Jay Thalheim remains as chairman, and Beth Thalheim, the trade show management firm's secretary-treasurer since 1958, has assumed the presidency.

FEATURES

New intros push ethnic hot buttons

A burst of new products, particularly high priced lines, have made ethnic cosmetics sales soar. **Page 35.**

Photo snaps back at year end

Drug stores continue to dominate other trade classes in film processing by capturing 25.1 percent of market share. **Page 52.**

ATTN: SRI
CONGRESSL INFO SVC
4520 E W HWY
BETHESDA MD 20814
01244S7 DR 9213 009/01906
3-DIGIT 208
****

SECOND CLASS

Bergen to buy O&M Rx segment

Owens & Minor, Inc. agrees to sell its pharmaceutical distribution business, worth around $300 million in annual sales volume, to Bergen Brunswig Drug Co. The divestiture will accelerate expansion of O&M's medical/surgical division, while Bergen's acquisition will boost its sales and marketing activity in Virginia and the mid-Atlantic states.

ORANGE, Calif. — Bergen Brunswig Drug Co. has agreed to acquire the net assets of Owens & Minor's wholesale drug business for an estimated $50 million. Although financial details of the agreement have not been disclosed, terms are expected to be cash. Subsequent to regulatory and other approvals, the closing is slated for Feb. 29.

Martini

Assets to be sold include three distribution centers, in Richmond, Va., Norfolk, Va., and Wilson, N.C., which together generate annual sales of around $300 million. In the first nine months of 1991, O&M's wholesale pharmaceutical segment represented around 22 percent of its total business, and the medical/surgical distribution arm provided 78 percent.

Bergen's president, Phillip R. Engel, told *Drug Store*

See **Bergen** *page 57*

NACDS spotlights industry concerns

Distribution conference focuses on alliances

ALEXANDRIA, Va. — For the nearly 300 chain drug attendees expected at the third annual NACDS Distribution/Logistics Conference, the hot topic will be partnering. In fact the theme of this year's conference is "Quality Alliances: The New Reality."

That subject, though, will share the spotlight at the Orlando conference, held February 12 to 14, with other distribution concerns, such as reclamation, backhaul opportunities and harnessing EDI technology.

Retailers credit this annual conference with improving dialogue between vendors and retailers through one-on-one meetings. And they say that this year's meeting should further solidify relationships.

"Since the first conference in 1990, I see

See **Alliances** *page 57*

Small chains network with business peers

ALEXANDRIA, Va. — Registrants for the NACDS Small Chain Conference are looking forward to the opportunity to network with peers, meet with vendors and garner ideas in New Orleans.

The conference, to be held February 8 to 11 at La Meridien New Orleans, is the only industry conference designed for the needs of smaller chains.

"This conference is designed for chains with 50 stores or less which do less than $100 million of volume," said Gerald Heller, president and ceo of Tulsa-based 34-unit May's Drug Stores, Inc. "It's the one time a year we can focus on our needs."

"This is the ultimate business peer group," said Morley Cohn, president of Altoona, Penn.-

See **Small** *page 57*

NEWS IN BRIEF

CVS goes high-tech with slot scanners

WOONSOCKET, R.I. — CVS plans to begin installation of slot scanners in its stores in the next few months.

The chain has ordered between 2,000 and 4,000 LS5000 scanners from Bohemia, N.Y.-based Symbol Technologies, Inc. The order represents an investment of between $2.8 and $5.6 million.

The slot scanners, which are similar to scanners used in supermarket checkout lines, allow for hands-free checkout and increase checker productivity. That means store lines move faster and customer frustration can be curbed.

Happy Harry's opens in Garden State

NEWARK, Del. — Happy Harry's Discount Drug has crossed the boarder into New Jersey with a 8,500 square-foot location in Pennsville. President Alan Levin said some Pennsville residents had been shopping the chain in Delaware to take advantage of the state's lack of a sales tax.

The chain positioned its latest 10,200-square-foot store (due to open this week) near the Maryland border to attract customers who want to beat their state's sales tax.

Sauter appointed to CDMA

Sauter

NEW YORK — George Sauter has been appointed executive deputy to the president of the Chain Drug Marketing Associates (CDMA).

He will report directly to CDMA president James Devine and will be the organization's liaison with members.

Previously, Sauter had been a consultant with the Armed Forces Benefit Association, served as vp-operations at The Life Underwriter Training Council and as senior director of administration and member services at the Mortgage Bankers Association.

Urquhart, Duffley to co-chair Marketplace '92

ALEXANDRIA, Va. — Margaret Urquhart, president of Wellby Super Drug Stores, and Paul Duffley, vp-trade development at Pepsi-Cola, have been named co-chairmen of the NACDS Marketplace Conference Committee.

The Marketplace meeting, a major retail trade show now in its sixth year, will be held June 28 to July 1 at the New Orleans Convention Center.

Marketplace 1991 was the largest meeting in NACDS' 58-year history. More than 2,500 registrants attended, and there were over 426 booths.

Yonko named vp of supplier partnering at McKesson

SAN FRANCISCO — Gregory Yonko has been named vp of supplier marketing at McKesson Drug Co. He will work under senior vp Fred Toney in strengthening the company's supplier/vendor alliances to make distribution, purchasing and sales more efficient, "a key strategic theme for us," says Toney.

He has been with McKesson for 15 years, and most recently was director of financial planning.

F&M adds stores in Boston as Drug Emporium mulls options

Both F&M and Drug Emporium entered New England last September with stores in the greater Boston market. Since then, F&M has opened two more units and plans to add several more this year. Drug Emporium, meanwhile, has scaled back plans and may pull out altogether as it focuses on core markets and profitability.

By James Frederick

BOSTON — Last fall, this major market was shaping up as the latest arena for head-to-head competition between two off-price drug store giants. Four months later, F&M has clearly seized the opportunity to expand in a troubled region while Drug Emporium shifts strategy to focus on improving profitability.

F&M opened its first unit here in early September, in the city of Brockton, Mass., just south of Boston. Drug Emporium fired an answering salvo two weeks later, making its first New England incursion with a grand opening in Bedford, N.H. on the fringes of the Boston metroplex. At the time, both companies foresaw big opportunities in a major new market with little deep-discount competition.

Since then, however, the chain has scaled back growth plans for the region—at least for the time being—and may pull out entirely. The reason, according to president and ceo Gary Wilber: to boost profitability and market share in core Drug Emporium markets.

"We're looking at somewhat slower growth rates over the next couple of years, as we concentrate on store performance and profits," Wilber told *Drug Store News* in early January. He added, "We really haven't come to a final decision about the long-term viability of the Boston market. We only have one store there, so we're in no hurry to decide one way or the other.

"There's a great opportunity in the [Boston] market for new players, but strategically we have to decide if it makes the most sense for us right now," Wilber added. Either way, he said, "We're not going to stay up there with just one store."

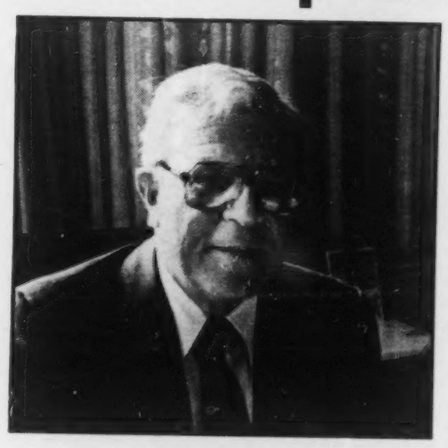
Meanwhile, F&M has pushed ahead. Since its Brockton incursion, the chain has added two more units in the Boston-area towns of Natick, Mass., and Nashua, N.H. "We're very happy with their early performance, and we'll open at least another four stores in the market this year," said F&M president Frank Newman. "If we're doing as well as we are right now with the New England economy the way it is, we should be in very good shape when things pick up."

Newman characterized New England's economy as "practically a depression," and conceded that real estate development has slowed to a crawl. Nevertheless, he indicated, the chain has been fairly successful at turning lemons into lemonade in this troubled region, where unemployment is far above the national average and no quick turnaround is in sight.

"With our pricing, we're probably attracting a greater proportion of the business than we would ordinarily, given the economy," Newman said. "This is a relatively high-priced market."

In F&M's sights this year are store locations in Chelmsford, Braintree, Somerville, Saugus, and North Attleboro, Mass.

Armor, former Thrift president, dies



Armor

CHARLESTON, S.C. — James B. Armor, former president of Thrift Drug Co., died of heart failure here on January 10. He was 65.

Armor, who joined J.C. Penney in 1947, was named director of store operations of Thrift when Penney purchased the Pittsburgh-based drug chain in 1970. He was appointed executive vice president in 1976 and served as president from 1980 until his retirement in 1987. Under his leadership, Thrift grew to a 500-unit chain operating in 17 states.

During his years as Thrift president, Armor was also an NACDS board member and served on the association's executive committee.

"We will certainly miss him," said Bob Bolger, retired president of NACDS. "He was a very strong individualist and a man of high principle. He was a fair person who was well liked and well respected. He had a loyal staff with little or no turnover.

"Jim didn't mind speaking up when the board sometimes entertained ideas that were folly. The board had high regard for his intellect and conservativism. We used to call him the 'red, white and blue man' because of his ideals and moral stance," Bolger said.

In addition to his professional activities with NACDS, the Retail Drug Institute, and the Pittsburgh Regional Industrial Development Corp., Armor participated in many community organizations including service as chairman of the United Way of Pittsburgh and on the board of directors of Allegheny General Hospital of Pittsburgh.

Donations in Armor's memory can be made to the Allegheny Heart Institute or the Salvation Army. Armor was a graduate of Oklahoma University and a U.S. Navy World War II veteran. He is survived by his wife, Mary Ann, and four children.

IN THIS ISSUE

FEATURES

Housewares 6
Ethnic Merchandising . . . 35-48

COSMETICS AND FRAGRANCES

Beauty Beat 50

GENERAL MERCHANDISE

Film processing/promos . . 52-56

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
People in the News 22
Supplier News 22
Product Updates 33
Finance 58

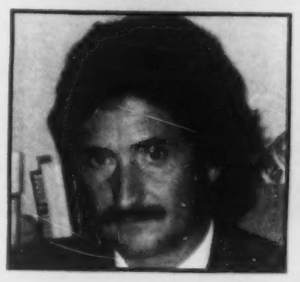
Inventory mgt. conference on tap

Lebhar-Friedman, parent company of *Drug Store News*, and Ernst & Young, the leading integrated professional services firm serving the retail industry, will conduct the industry's first ever conference on "Managing the Inventory Pipeline Through Partnerships and Technology." The seminar will be held June 14-16 at the Chicago Downtown Marriott and is recommended for retailers and suppliers who are responsible for inventory pipeline management in both food and nonfood retail operations.

Topics to be covered include Quick Response/Electronic Data Interchange Partnerships, Space Management, Inventory Leveling and Distribution Center Capacity Planning.

Registration fee, including all seminars and meals, is $350 per person, $295 per person if three or more paid attendees are from the same company. To receive a registration form or for more information, contact Mary Beth McMahon, Lebhar-Friedman, 425 Park Av., New York, N.Y. 10022, (212) 756-5258.

Correction



In the Jan. 20 issue, a photograph of Nikolas Palin was misidentified. Palin is the new president of sales for the Rexall Family of Companies.

In the Revco Bowl, the odds favor Eckerd

IN THE MARKET
BRUCE BUCKLEY

The battle for Revco now comes down to two players: Eckerd Drug and the team of managers that rescued the Twinsburg, Ohio-based chain from oblivion. (Their efforts, of course, are what have made Revco such a prize.) While the sentimental money might favor the Revco team, the heavy betting is on the contenders from Clearwater.

The standard sports cliche is that, given teams relatively evenly matched in physical skills, the victory usually goes to the one who wants it the most, the one with the emotion. In the case of Revco, I think that holds true: Eckerd wants it most; it has the emotion.

The Texas Revcos whetted Eckerd's appetite; now it wants the whole meal. In a business deal the raw emotion of the physical contest is sublimated, but it's there, fueled by pride and ambition. The best companies — the Wal-Marts, the Walgreens— have a surplus.

The team that has led Eckerd through the potentially difficult years of an LBO has reason to feel pride and certainly can't be faulted for the ambition. The Revco merger is like a booster rocket.

If it goes through, Eckerd becomes the nation's largest drug chain in terms of stores, with more than 2,500 units, even after shuttering or selling off as many as 300 Revcos.

By adding almost $2 billion in volume, Eckerd would leap into the number two position among drug chains, with almost $6 billion in sales.

Nothing else on the horizon offers that kind of jump start.

In the recent top brands study that Leo J. Shapiro did for *Drug Store News*, drug chains were ranked according to consumer preference. Walgreens outranked Eckerd by several percentage points. If the merger goes through, it will be interesting to see how it affects the percentage in this year's study.

* * *

My Uncle Wiley is highly opinionated. He's also a close observer of the drug store industry and the trade publishing scene. He reads all the magazines and, from time to time, sends me his comments. For a change of pace, I thought I'd let you read his most recent letter. If you like it as a counterpoint, let me know.

Dear nephew:

A quick comment on the Wal-Mart/NAGMR controversy: a recent editorial in another drug store publication offered a solution by suggesting that Wal-Mart and NAGMR sit down and work things out.

That's just the kind of insightful commentary this industry needs—chicken soupism—can't help, can't hurt . . . and no one is offended.

For starters, if Wal-Mart's policy is what it seems to be, the result will unnecessarily put a lot of good reps out of business. Legal? Perhaps. Unfair? Grossly.

Certainly compromise is needed on price-sensitive items handled through reps, and Wal-Mart has not just a right, but an obligation to maximize buying efficiencies.

On most items, however, I think there is more than enough room for this mega vendor to exercise a "live and let live" policy.

Brokers are vitally important to the smaller and mid-size lines they rep. . .and a good broker is a valuable asset to the chains they are calling on as well.

I believe that the industry is better served from both a vendor and retailer standpoint by insuring that no single chain's policy has the effect, purposely or inadvertently, of driving this class of trade out of business.

That's it for now. Give my regards to the family. And all the best to you.

Wiley

FDA's drug approval process is in neutral

WASHINGTON PERSPECTIVE
KEN RANKIN

For at least 10 years now, we've been hearing Food and Drug Administration officials outline ambitious "action plans" and other maneuvers to streamline the agency's overly bureaucratic new drug approval process.

How much progress has really been made? Based on the latest statistics, you could make a case that FDA is stuck in neutral—if not rolling in reverse.

Back in 1985, FDAers were boasting about making significant progress in eliminating drug approval bottlenecks and closing the so-called "drug gap" that has left Americans waiting months or years for new medicines already available to Europeans.

In that year, FDA officials granted final marketing approval to a total of 30 new molecular entities (NMEs)—up from 22 NMEs in 1984. And best of all they trimmed the average review time for each of these new drugs by more than seven months.

The progress since then has been less than spectacular. Last year the number of NMEs approved by FDA held at 30, the same total that agency officials reached in 1985, and only a handful of the 1991 batch represent any real breakthrough.

Indeed, only five of last year's 30 NMEs afford any "significant therapeutic gains," FDA acknowledged, while two-thirds of them offer little if any therapeutic advantage over drugs already on the market.

The generic drug approval situation is even more discouraging. Last year FDA approved only a dozen "first time" generic drugs—down from 80 such approvals in 1990.

Of course, this kind of score keeping may be a bit unfair to FDA because the number of drugs that can be approved ultimately depends on the number of applications submitted by the industry.

But it certainly is reasonable to expect FDA to process new drug applications expeditiously. And in this respect the agency appears to come up short as well.

During 1991 it took FDA an average of 30.3 months to clear each NME approved. That's not only a step backward from 1990's average "hang time" of 27.7, but it's a notch below FDA's pace a decade ago!

Indeed, back in 1982 when Reagan Administration FDAers were rattling on about "getting government off the back of industry" FDA approved 28 NMEs in an average of only 28.8 months!

Officials at both PMA and FDA are quick to point out that one reason the average approval time increased last year was that the agency made a concerted effort to clear backlogged NDAs that had been in the pipeline for years.

With those products out of the system, average NME approval in 1992 should show dramatic improvement, they maintain.

They may be right. This time around, FDA may truly be on the verge of breaking the bureaucratic bottlenecks that have kept important medicines off the U.S. market unnecessarily.

Let's remember to check the box score again this time next year.

DRUG STORE NEWS®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher JAY FORBES
Editor BRUCE BUCKLEY

Executive Editor Al Heller
Senior Desk Editor Bernadette Casey
Special Projects Editor Elizabeth Parks
Pharmacy Editor Dianne Tharp, R.Ph.
Associate Editor Barbara White
Desk Editor Carol Kearney
Desk Editor Fred Rueckher
Editorial Assistant Carine Dabady

Bureau Editors: James Frederick (Sr. Editor, Cleveland; (216) 642-3420), Allene Symons (Assoc. Editor, Los Angeles; (213) 464-8321), Ken Rankin (Bureau Chief, Washington; (301) 774-3895), Deane Evans (Washington)

Art Director Bob Brokman
Graphic Artist Kyung Ae Yoo

Associate Publisher/
National Adv. Manager JILL MANEE

REGIONAL SALES OFFICES
New York
Nat'l Accounts Manager Larry Krongold
N.Y. Area Manager John Kenlon
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: James Malver
Office Manager: Angela Ftaras
Chicago 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: Maggie Kaeppel
Office Manager: Beverly Wendtland
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, (213) 464-8321
Office Manager: Maureen Jackson

Group Circulation Director
Matthew J. Ciancy, Sr.
(3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746)
Nat'l Director of Field Marketing & Circulation Services Jim Dickison
Circulation List Manager Torry Burdick
Director of Manufacturing Stan Kaufman
Advertising Production Mgr.
Debbie Rothenberg
Business Manager Joel Safir

Board of Advisers
Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAlear Pay Less Drug Stores NW
Frank Newman F & M Distributors
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) Arnold D. Friedman

President J. Roger Friedman
VP/Administration Harry A. Estes
VP/Publisher Fred Filer
VP/Publisher Jay Forbes
VP/Finance James Granato
VP/Circulation Martha Pattley
VP/Publisher John Rapuzzi
VP/Human Resources John Murro
Director, Corporate Development John O'Brien

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

New products push ethnic hot button

Upscale lines make dollar and unit sales soar

A burst of new product activity—including higher priced upscale lines—has turned the ethnic cosmetic category into one of the hottest growth segments of the year.

According to Towne-Oller, dollar sales in the category rose 49 percent for the year ending November 1991, while unit sales were up 68 percent.

Chairman and ceo Eugene Applebaum of Arbor Drug describes ethnic cosmetics as a "giant opportunity for our company. This business is at the point where it's supported by key venders and that makes it a business with very strong potential."

Buyers credit Maybelline's Shades of You for sparking the growth when the line was launched two years ago, but as chains expand the department to more stores and as the planogram for ethnic cosmetics becomes larger and more visible, buyers are reporting sales increases in virtually every family line.

At Walgreens, Steve Lubin, divisional merchandise manager of cosmetics and fragrances, said the segment is generating significant growth dollars. The chain now has ethnic cosmetic departments of various sizes in nearly 500 stores. The size of the department depends on the demographics of the area.

Lubin says he's seeing good growth in Posner and Shades of You, as well as in Worlds of Curls' premium priced line (in the $7 and $8 range), Simply Satin. His budget line, Tropez, is doing "great." Lubin recently added another premium priced line, Almay's new Darker Tones collection, to the planogram, but he says it's too soon to evaluate sales.

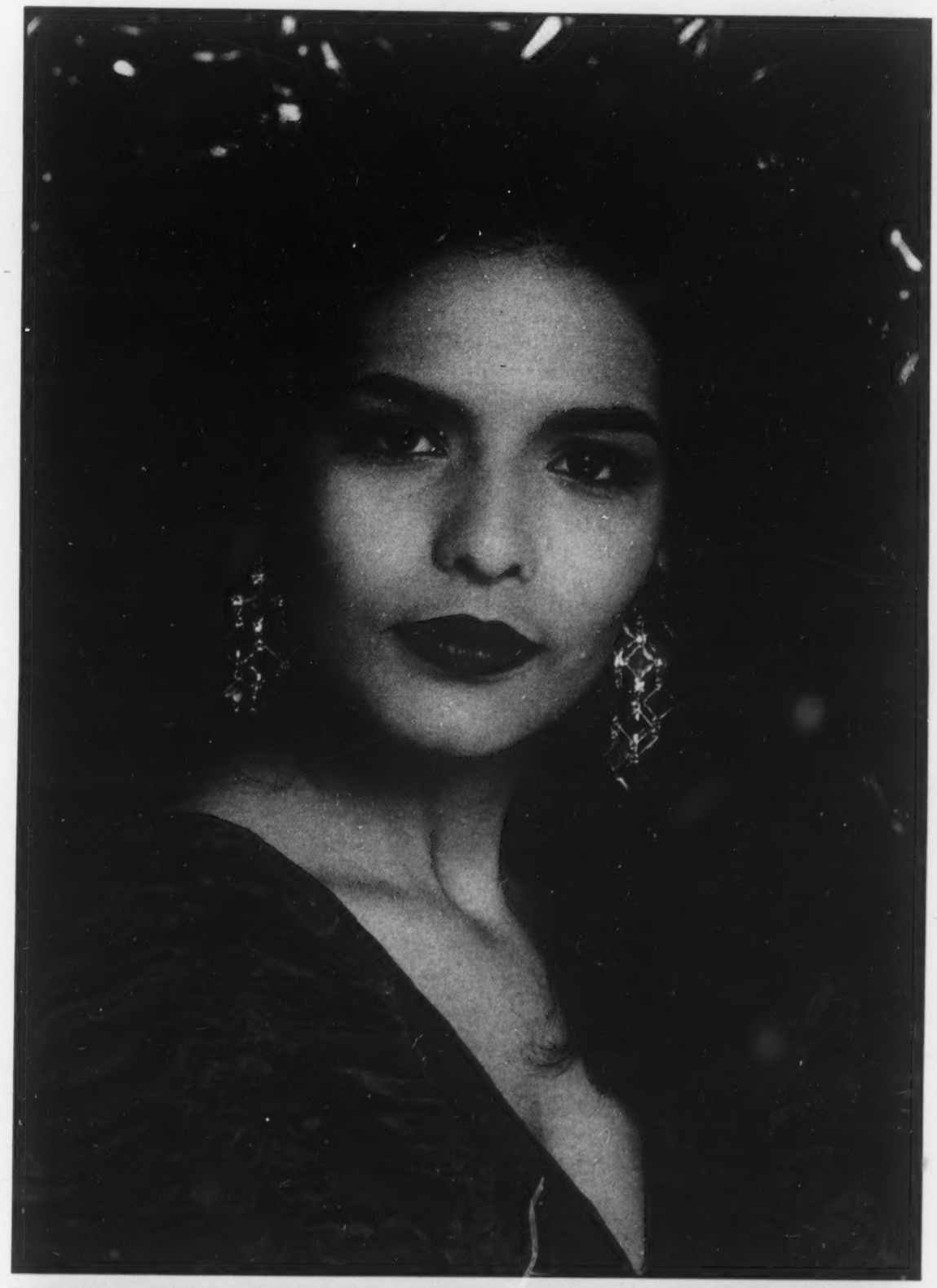
Upscale opportunity

At 19-unit Crown Drug in North Carolina, cosmetic buyer Toni Markham can see a possible opportunity for higher price point lines in mass market stores.

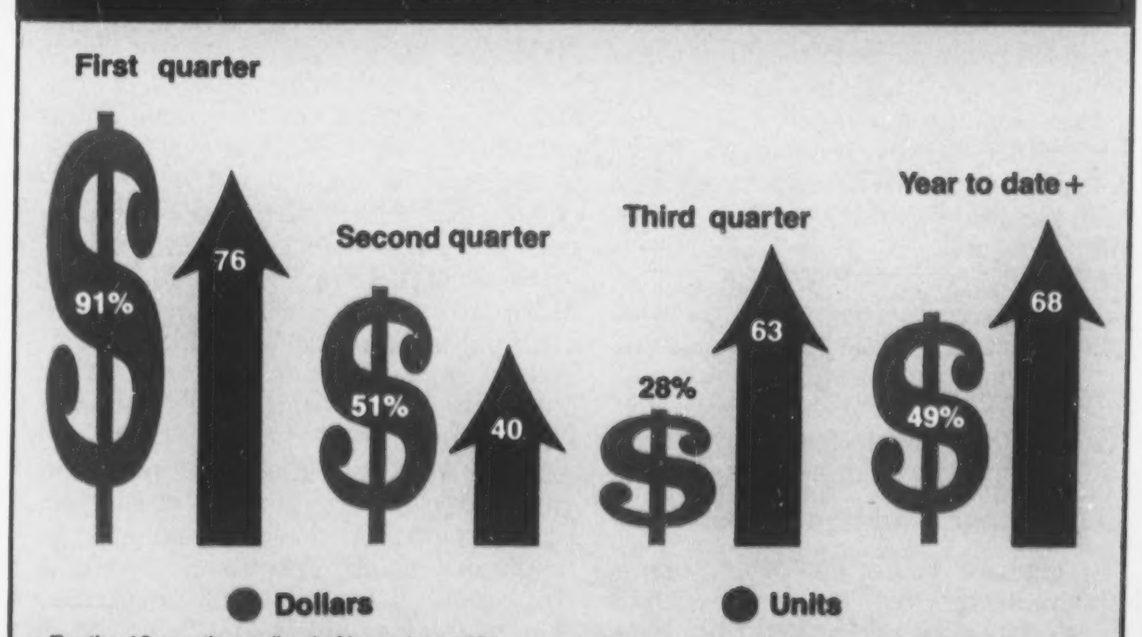
"I've waited on some customers myself, and they've told me that they don't want to pay department store prices for lines like Fashion Fair, so I think there is a need for high quality ethnic cosmetics sold in drug stores, but it will take time for the word to get around that they're available."

Right now Shades of You is the only ethnic cosmetic line in Crown's four high-volume ethnic stores. Only two feet has been devoted to the line on the cosmetic wall next to Maybelline, and no special signage is currently highlighting the section.

But Markham is considering broadening the category's visibility by testing Black Radiance, which would expand her offerings to two lines at two separate price points.



Growth in ethnic cosmetic sales in 1991



+ For the 12 months ending in November, 1991.
Source: Towne-Oller Ethnic Panel which includes over 20,000 drug, food and beauty and barber supply stores.

Ethnic cosmetics have also been growing dramatically at Wilsonville, Ore.-based Pay Less Drug, but a good portion of that growth is due to expanded distribution. Since Pay Less collects sales data through scanning registers, cosmetic buyer Shari Ralston can compare and measure the productivity of her department by brand, vender, category segment and item.

Listening to consultants

Pay Less had originally designated only 86 stores as appropriate for ethnic cosmetic departments; that was later expanded to 120 stores in response to requests from Pay Less' in-store cosmetic consultants.

"Our consultants have a good feel for their stores and for what will sell there. When they ask us for ethnic cosmetics, we accommodate them because we know they understand their customers and their needs," she said.

Posner and Shades of You both have about two feet in Pay Less' ethnic neighborhood stores. Almay and Black Radiance are being tested on spinners, not the wall. Space for the category is coming from Pay Less' flex space as well as from smaller, marginal lines whose turns have been disappointing.

Ralston is another buyer who thinks her customers will trade up. She sees Revlon's launch of an ethnic line later this year as a way to meet unsatisfied needs in the market.

"Shades of You and Posner are very good lines and they do well, but I think there are some women who want drug stores to carry a more upscale line. The women who buy Fashion Fair or Flori Roberts would like to see a comparable line in drug stores, and I think the Revlon line is what they've been waiting for. Revlon has a very upscale image. The packaging is wonderful. It's nicely positioned and I think the presentation is fabulous," said Ralston.

Keying into market

Cosmetic buyer Kathy Johannes at Kerr Drug in North Carolina, has just created two planograms for cosmetics. One is a standard cosmetic planogram, for the 58 predominately white neighborhood stores, and the other is an ethnic cosmetic planogram for the 38 stores in markets with a large populations of African-Americans and other ethnic groups.

"We do a tremendous business in ethnic hair care," says Johannes, "so we needed this. We needed more of a presence in the category.

"And, of course, there is so much happening in the market with the launch of new lines and new formulas that we can bring a wider mix of prod-

Continued on page 36

Chains find different solutions to tailored merchandising plans

Although drug chains are experiencing dramatic growth in ethnic cosmetic sales, the category is not an easy one for chains to manage.

Most chains only have a marginal percentage of stores located in high-traffic African-American neighborhoods, so their distribution of the category is limited. That restricts their ability to advertise the category chainwide.

Even if the category is approved for a significant number of stores, warehousing chains have to create a planogram intended only for ethnic neighborhood locations. What's more, they must develop a system for distributing product to two different types of stores.

"Having two planograms is not a significant problem in terms of inventory," says Kathy Johannes, cosmetic buyer-Kerr Drug, "but it is much more difficult to manage. You have to know what to send to which stores . . . When we decided to create a second planogram for ethnic neighborhood stores, we used data processing to create a zone merchandising program. We think we will be able to generate more of a profit because we're moving things through the warehouse, but we will have to see it after it is in place to see how well it is working."

Photo courtesy of Tropez

Alternative uses

Although this is the first time the chain has used a zone merchandising program, Johannes is considering other ways to use it—in ethnic hosiery, for example.

At K&B Drug, cosmetic buyer Donna McManus has three ethnic cosmetic lines: Posner, Shades of You and Zuri. In the 90 ethnic stores she buys for, MaManus plans to expand the department later this year from 8 feet to about 13 feet.

All product will be shipped through the K&B warehouse, but reorders will be controlled by the stores. "I decide what goes into the stores," says McManus, "and I order the initial shipments. From there, the cosmeticians reorder as the product sells through. If they get a request for something they don't stock every day, they can also order that through our master list," she said. "Since stores receive at least weekly shipments, it only takes between two and five days to fill any customer's request."

McManus says K&B will be advertising ethnic cosmetics more this year to increase the visibility of the category. "We'll feature something from every ethnic department in our full-color circulars, from cosmetics through hair and hosiery," she said.

Ad disclaimer: limited availability

To prevent customers from being disappointed when the stores they shop don't carry the items, the chain will run a disclaimer saying that products aren't available in all stores. If customers want to special-order the items, K&B cosmeticians can have the goods in the store in less than a week.

Oregon-based Pay Less Drug also warehouses its ethnic cosmetics, and lets designated stores pull the product in as needed. They don't advertise the category chainwide, but cosmetic buyer Shari Ralston says individual stores do a lot of local events, ranging from makeovers and sampling to direct mail.

Even a chain like Walgreens, with as many as 500 stores stocking ethnic cosmetics, has trouble advertising the category because as strong as it is, it's not offered chainwide. Generally, advertising must be done on a local or store level basis, through direct mail, store flyers, local newspapers or local radio.

For small chains like the 19-unit Crown Drug in North Carolina, it can take time to build the category. Currently, the chain has ethnic cosmetic departments in only four high-volume ethnic stores. Buyer Toni Markham says that because she can't advertise the department strongly, she has to wait for word of mouth to build sales.

"Maybelline has been very good to work with. My reps for Shades of You have given away coupons in the stores and that helps. Pavion, which makes Black Radiance, is also very easy to work with, and if I take in the line, I know they'll support the stores."

Using distributors

Because of the logistical difficulties involved in warehousing ethnic cosmetics, some chains like Harco Drug in Alabama and Perry Drug in Detroit have decided not to warehouse the highly specialized lines like Posner, Black Radiance or Zuri.

Instead, they either use full-service ethnic distributors to service their high-volume ethnic doors or they per-

Continued on page 41

The importance of African-American consumers

How African-American consumers shop

- They are **more brand-loyal** than general market consumers
- They are **intensive category shoppers**
- They look for **convenient locations and low, everyday prices**
- They are often **store brand buyers**
- They often feel **underserved** by chain retailers
- **31 percent** are heavy coupon users

Source: Segmented Marketing Services Inc.

New products push ethnic hot button

Continued from page 35

ucts into our stores."

Johannes has approved four lines for the Kerr's ethnic planogram: Maybelline's Shades of You, Artmatic's Tropez, Posner, and Almay's Darker Tones. She hopes to have the planogram up in all 38 ethnic neighborhood stores by the end of March.

At K&B, cosmetic buyer Donna McManus says category sales have been successful, with Shades of You and Zuri—K&B's low-end line—doing particularly well. McManus is now deciding on other lines to add to her planogram: Revlon, Almay and Black Radiance are all under consideration.

At Perry Drug, cosmetic buyer Mary Hoepfner is seeing sales increase for Shades of You, Black Radiance and Posner, and she reports that sales have been steady on Revlon's Polished Amber line.

Later this year, Hoepfner may add two more ethnic color collections to her planogram. In designated ethnic neighborhood stores, she plans to split the 4-foot section currently devoted to Almay and give half of the space to the company's Darker Tone collection. Hoepfner will also give Revlon the option to use some of the cosmetic company's space for its ethnic cosmetic shade collection in appropriate stores.

Harco Drug has done so well with Maybelline's Shades of You that the Alabama chain is seriously considering expanding the line chainwide and adding it to warehouse inventory.

After six-months sales experience in 22 ethnic stores, buyer Penny Wade says: "I've been getting requests for it in high-income white neighborhoods as well. I'm realizing that black women may not live in these neighborhoods, but they work there, and they're shopping where they work."

Cross-over line

"Also, I think Shades of You has become a cross-over line," she said. "A lot of different types of women are buying it. It is popular with Hispanics, with Asian women, with women with olive skin or darker skin. I find I can even use some of their products. So, I believe it should sell very well chainwide."

Harco is also testing Black Radiance as its price-point brand, and after two months in test stores, Wade says the line is doing very well.

Photo snaps back to end year on a hopeful note

By Allene Symons

Drug stores continue to dominate other trade classes in film processing by capturing 25.1 percent of market share, according to the latest PMA study based on third quarter 1991.

In the same study, PMA reports that the total number of rolls processed increased 0.9 percent in the first nine months of 1991. "That was really quite marvelous, considering the terrible first quarter," noted Barry Harrand, PMA's director of market research, who estimates that when fourth quarter figures are finalized, 1992 could tote up as much as a 2 percent or greater gain over 1991.

A survey of a half-dozen drug chains by *Drug Store News* shows that most experienced flat sales or a modest increase in the overall photo category for 1991. As one retailer said, "We are relatively thankful for the way the year came out."

On-site labs continue their growth curve at chain drug stores, according to the stores queried. On Eckerd's 321 on-site labs, vp-photoprocessing Ron Koch reports, "We're pleased with the performance of our one-hour labs. They continue to grow." He notes that minilab customers are likely to be upscale with discretionary dollars to spend. Another growth area for both on-site and overnight processing is commercial accounts,

Continued on page 56

Minilabs: Rolls processed per day

Average number of rolls/day	Percent of labs
41-70 rolls	40%
71-100 rolls	34
101-150 rolls	10
21-40 rolls	10
151-200 rolls	4
Under 20 rolls	2

Source: Wolfman Report, 1991.

Share of rolls processed
(Total U.S. by outlet type)

Drug store	25.1%
Camera store/ One-hour lab store	17.9
Discount department store	17.2
Mail order	15.9
Supermarket/ combo	15.7
Other	8.2

Chart reflects consumer activity in third quarter 1991.
Source: Photo Marketing Association.

LOOKING FOR AN EXCITING NEW PROFIT BUILDER?

THE BIG NEWS: the stars of Steven Spielberg's #1-Rated** cartoon series make their home video debut in time for Easter in an ALL-NEW, ALL-ANIMATED video.

THE BIGGER NEWS: you can cash in on all the sales excitement generated by a traffic-building, 3-way video cross promotion featuring up to $4.00 in consumer rebates,* plus cents-off coupons, premiums,* nationwide media exposure, and trade discounts!

SINGLE UNITS #12290

$19.98 VHS/Beta

#35507
48-UNIT FLOOR MERCHANDISER
18"W X 49 1/2" H

#35506
24-UNIT COUNTER MERCHANDISER
17 3/4"W X 19" H

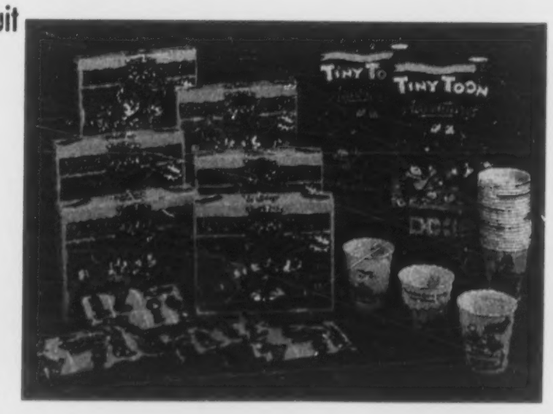
PROFITS: EASY AS 1-2-3!

1 Tiny Toon Adventures Real Fruit Snacks Consumer Rebate and Promotions!

- Special video tag on 1st Qtr. Real Fruit Snacks TV Spots.
- 50 Million *Tiny Toon Adventures* Real Fruit Snacks FSI's.

INSIDE THE VIDEOCASSETTE:

- $2.00 mail-in rebate with *Tiny Toon Adventures* Real Fruit Snacks proofs of purchases.
- FREE Poster with additional *Tiny Toon Adventures* Real Fruit Snacks proofs of purchases.



2 Dixie® Consumer Rebates and Promotions!

- On-pack promotional of the video on 2.5 million boxes of Dixie® *Tiny Toon Adventures* Kitchen Cups.
- 50 million Dixie® FSI newspaper ads with 25¢ coupon for Dixie® 5oz. Kitchen Cups.

INSIDE THE VIDEOCASSETTE:

- $2.00 mail-in rebate with Dixie® Kitchen Cup proofs of purchases.
- FREE Kitchen cup Dispenser with additional Dixie® Kitchen Cup proofs of purchases and 25¢ coupon.

3 Trade Discounts on 24- and 48-count VHS prepack merchandisers!

- FREE TRADE OFFER! 13" Playskool Tiny Toon Plush Toy with each initial 48-count prepack order. ($20.00 retail value. Supplies limited.)

STREET DATE: MARCH 11
SINGLES ORDER DUE DATE: FEBRUARY 19
PREPACK ORDER DUE DATE: FEBRUARY 5

STAY TOONED!

*Consumer Rebates and premium offers require additional purchases. All offers will be redeemed by mail.
†Suggested List Price per Cassette/Disc.
**Source: Nielsen Research. Based on Weighted Average of 25 Metered Markets 10/31-11/27/91.

WARNER HOME VIDEO

Color/Approx. 80 mins.
Single Units #12290 • $19.98* HiFi Stereo VHS/Beta
10-Unit VHS Prepack: #35482 • 24-Unit VHS Prepack: #35506 • 48-Unit VHS Prepack: #35507
ALSO AVAILABLE ON CX STEREO LASER DISC: $29.98
TM & © 1991 Warner Bros. Inc. ©1992 Warner Home Video
Not Available in Canada.

AMBLIN ENTERTAINMENT

Two sunscreens give "maximal protection"† [SPF=10]
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The sun is the major cause of cold sores called lip sun blisters.
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Chains say 'photo-op' events build category sales

Zoom in on the Olympics—plus local and family photo events—then toss in a value-added offer. That sums up a current strategy to pump up film sales and processing business, say most film manufacturers and drug stores recently surveyed by *Drug Store News*.

The first task is to convince frugal consumers to snap more photos and think "photo-op." California-based Longs Drug Stores found that among its stores, photo departments promoting picture-taking events outperformed those without such programs. "One had a three-fold increase," said Kyle Westover, vp-training and communications.

At Chicago-based combo Dominick's, buyer Tavia Bender says, "People are finding less reasons to take pictures. We're going to try to help them find a reason" with photo contests and other events. On the West Coast, Bill's Drugs provides photo ops: a costumed character for Easter and an in-store Santa at Christmas. (The chain also throws in a complimentary photo.)

The launch of new and enhanced photo product, backed by colorful event-themed promotions, promises category-stimulating sales. Example: Kodak's new single-use Fun Saver Telephoto 35 camera, a model Kodak expects to grab the attention of sports and outdoor buffs.

The photo segment is enjoying a healthy boost from single-use units. Photo Marketing Association's director of market research Barry Harrand conservatively estimates that 12 to 15 million units were sold into the market in 1991, up from 9 million in 1990. Explains Ron Koch, Eckerd's vp-technical services, "We are very high on them because they introduce young people to photography in an inexpensive way," they appeal to seniors, serve as a premium for commercial accounts or supplement formal wedding photos.

Polaroid's summer picnic promotion ("It's no picnic without Polaroid Products") includes a special offer, with proof of purchase from selected products, of a personal-size Igloo cooler for $3.95. Polaroid is starting the year off with a buy-two-get-one-free offer for its OneFilm and will release a party film in its 600 Plus line featuring a preexposed border of party streamers.

When it comes to striking images, aside from poses by stumping politicians, the visual feast this year will be the Olympics. Major players Fuji and Kodak are primed to compete with their respective tie-ins.

Fuji's "Commitment to Excellence" will promote all of its consumer products throughout spring and summer. With a purchase of any two products, a customer qualifies for one of 12 collectible pins representing events in swimming, track and field. Fuji will pro-

Continued on page 56

Film sales growth by region

Total film rolls purchased

Total U.S.A.	0.8%
Geographic Divisions	
West South Central	11.6
West North Central	7.1
Mountain	6.2
South Atlantic	2.3
East North Central	– 0.5
Middle Atlantic	– 3.8
New England	– 3.5
Pacific	– 4.1

First 9 months 1991 vs. same period in 1990.

Source: Photo Marketing Association.

PROFITS
Vivitar's proven again and again it's your best choice for solid profits, with models like the PS44 — a fast-moving winner.

PRODUCTS
We've got a product for every customer (and every bottom line) from colorful lifestyle and affordable focus-free models to the most sophisticated auto-focus trend-setters.

PRICING
Vivitar's products are priced to move. Choose from plenty of models at every price point for the ideal match-up with your customers' demands and pocketbooks.

PACKAGING
We've got clamshells, kits, blister packs and more. And if you don't see what you want, ask us about customized options!

PROGRAMS
Vivitar backs its line with programs that make it easy and profitable for you to stock the best-selling line in photography.

Outside California 1-800-421-2381
California 1-800-352-7481

PERFECT!
Value-added products & programs in '92.

©1992 Vivitar Corporation, 9350 DeSoto Avenue, Chatsworth, CA 91311. In Canada: Vivitar Ltd/Ltée, Ontario.

The **only** cold sore treatment with **sunscreens. [SPF=10]**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Two sunscreens give **"maximal protection"! [SPF=10]**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Minilabs, value-added promos boost processing biz

Continued from page 52
according to Koch.

Other retailers are testing the concept. California-based Bill's Drugs is testing minilabs in two of its 24 stores, but buyer Stan Wisnicewski doesn't anticipate a diminishing of Bill's value-added program to promote overnight processing. Every month, Bill's gives away a consumable product, such as peanuts or Martinelli's cider, to any customer who brings in a roll for processing.

Walgreens is testing about five on-site labs. The chain promotes its photoprocessing with price-item advertising and various promotions like personal photo postcards. Customers reportedly are responsive to value-added promotions, including variations of twin-prints and enlargement. At Qualex, the largest wholesale processing lab, the director of marketing, research and analysis, Montey Dewey, reports that both twin prints and enlargement orders are increasing.

The choice between minilab (a larger, in-store system with greater volume and processing capabilty) and micro-lab (smaller, easier to operate) continues to hinge mainly on a question of volume. Micros are gaining in installations, but remain a small percentage of the on-site business, according to PMA.

Among the latest minilab entries are Fuji's SFA250 and SFA270. Thus far, Fuji has not entered the micro market. Others, however, appear to be attempting to blur the sharp micro/mini split. Gretag's Bob Deerin, director of retail sales and marketing, explains that the Stamford-based Gretag's Master Lab is "upgradable" and he notes, "Within four hours we can upgrade. You don't have to pull the machine out and put another in."

Konica—which has just introduced a new minilab, model 612—is also developing a market-bridging system for the niche between mini and micro. "It's more than a micro and less than a mini," said executive vp Thomas Meyer, who notes that this model, the 808, is also designed to facilitate customer service with its counter-height format.

Photo category snaps back as new year begins

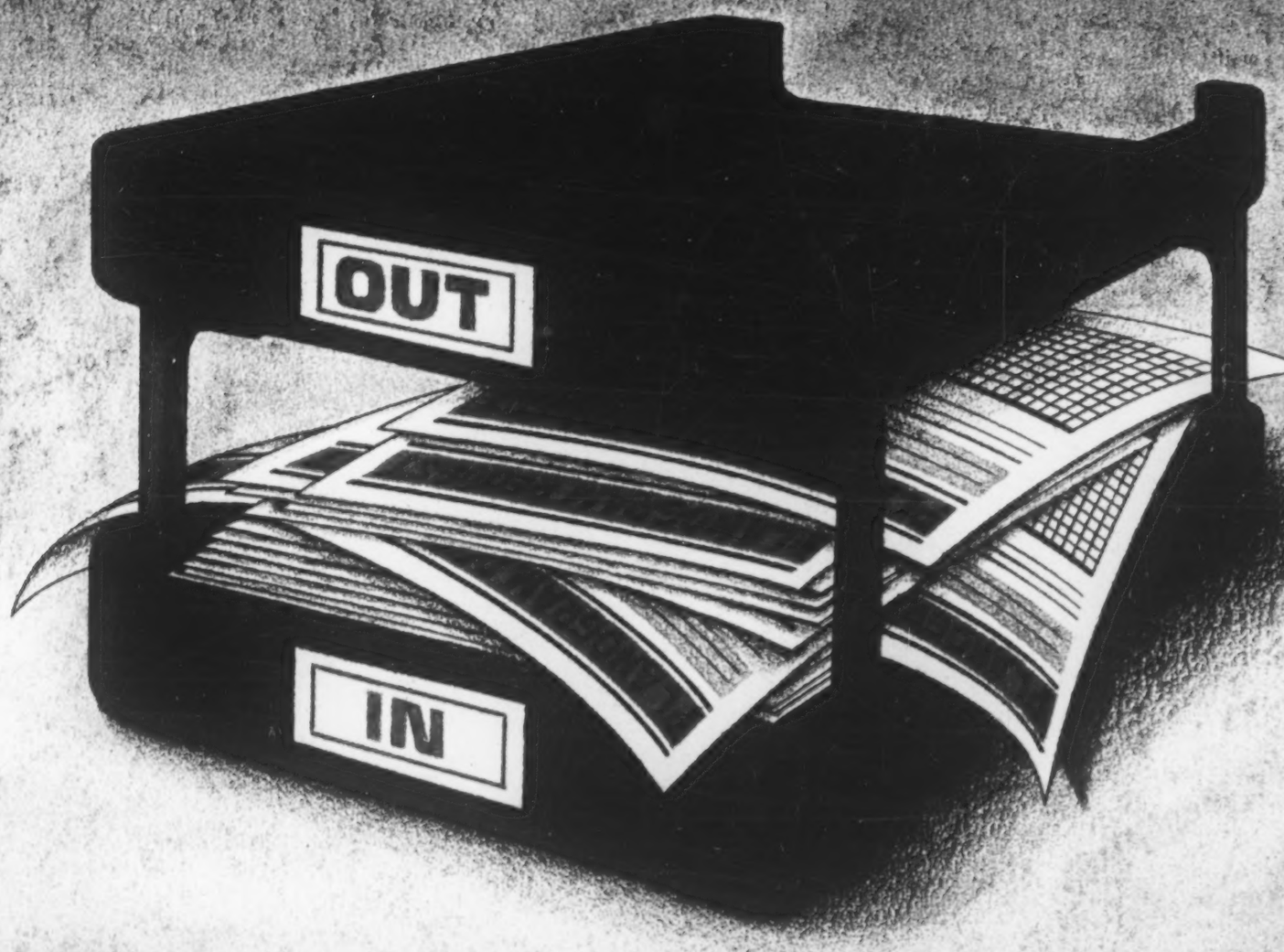
Continued from page 54
vide POS materials to retailers, offer a sweepstakes and back the program with coupon-inclusive inserts in selected Sunday newspapers.

Kodak's Olympic tie-in, featuring an Olympic tote bag with proof of purchase, will promote the extension of its Gold Plus line to include 100 and 200 Gold Plus. The line, introduced last year with Kodak 400 Gold Plus, offers enhanced color accuracy and saturation with more exposure latitude, according to Kodak.

Also new from Kodak is Ektachrome 400 HC film. "Its attributes are richer blues and greens, improved sharpness and finer grain," explains Michael More, Kodak's director of editorial services.

SCANTRACK® NOW AVAILABLE THROUGH GLADSON

The IN's and OUT's of Planogramming



More requests are coming in and less planograms are getting out!
It's costing you money on the shelves!
Company policy - No new head counts!

The "Gladson Advantage" provides you with the capability of working smarter not harder in your Planogram Department.

- Gladson enables you to handle more space management projects faster.
- Gladson will blend with and enhance your operation.
- Gladson image and dimension databases are in use in every major market segment by retailers and manufacturers worldwide.

For More Information:
Call Mary Wlodarski, Vice President Sales Today! **(708) 810-0090**

Gladson & Associates
1982 Ohio Street, Lisle, IL 60532
708-810-0090

The **sun** is the **major cause of** cold sores called lip **sun blisters.**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Turley says IPO plan is moving ahead quickly

Turley
Eckerd

CLEARWATER, Fla. — The Jack Eckerd Corp. will go on with its estimated $300 million initial public offering "right away," chairman and president Stewart Turley told *Drug Store News*. "We're preparing a registration statement now and hope to be in position to go out with it as soon as the deal is consummated," he said.

Turley said that the deal to acquire Revco was "not contingent" on the timing of Eckerd's planned IPO, but added, "an IPO is desired by everyone" because it will strengthen Eckerd's capital structure. Thus, he said, the company is moving rapidly to take itself public again for the first time since its April 1986 leveraged buyout.

Proceeds of the IPO, which Turley predicted could net $285 million, will be used to pay down debt in the combined operations.

Three major investment bankers have agreed to co-manage the IPO, including Merrill Lynch & Co.

McK drug revenues up, third qtr. income declines

SAN FRANCISCO — McKesson Corp. reported an increase in third fiscal quarter revenues for its drug distribution business, up 30 percent to $2.4 billion from $1.8 billion, while operating profit declined 14 percent to $38.7 million from $45.1 million for the period ending December 31. For the nine months, drug unit revenues rose 25 percent to $6.6 billion from $5.2 billion with operating profit down 2 percent to $117.6 million from $120.4 million.

"After factoring out inflation, U.S. revenues of McKesson Drug showed excellent real growth in the quarter," said Alan Seelenfreund, chairman and ceo, "but with the sharp slowdown in pharmaceutical price increases from suppliers, profitability declined."

The quarterly results included revenues of about $300 million from the company's wholly-owned Canadian subsidiary, Medis, which were not included in the year-ago sales figures; year-to-date Canadian operations contributed about $660 million to revenues.

U.S. drug distribution revenues increased 13 percent in the quarter, reflecting in part a 27 percent increase in hospital business and higher sales of prescription and proprietary flu and cold products.

McKesson Corp.'s total third fiscal quarter revenues for all operating units reached record levels, an increase of 25 percent to $2.74 billion from $2.20 billion in the year-ago period. Net income fell 4 percent to $26.2 million from $27.3 million. Operating profit was off 6 percent to $62.2 million from $66.1 million.

For the nine months ended December 31, revenues were up 21 percent to $7.5 billion from $6.2 billion, while net income declined 1 percent to $77.7 billion and earnings per share were also down 1 percent. Operating profit was flat at $188.9 million compared to $188.7 million in the prior year.

McKesson's other operating units include Armor All, Service Merchandising, PCS and a bottled water business, with the drug unit comprising around 90 percent of revenues.

* * *

McKesson Corp. reported third fiscal quarter gains for its PCS division, with revenues up 8 percent to $26.6 million and operating profit, up 11 percent at $8.1 million.

The results reflect an increase in prescription claims processed, according to McKesson.

Nine-month revenues were up 11 percent to $75.9 million and operating profit 31 percent to $23 million.

The PCS segment represents a small contribution in revenue but is one of the most profitable of McKesson's operating units.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 3 Feb. 3, 1992

MARKET DIARY:

Largest Dollar Gainer	Penney, JC	$ 5.00	Advances	22
Largest Dollar Loser	Carter-Wallace	$ – 17.75	Declines	32
Largest Percentage Gainer	Lee Pharmaceutical	71.43%	Unchanged	6
Largest Percentage Loser	Mylan Labs	– 13.60%	New highs	22
			New lows	1

	Close 1/7/92	Close 1/21/92	Net Change	Percent Change
Drug Store News Index	4904.74	4986.56	81.82	1.67
Dow Jones Industrial Average	3204.83	3223.39	18.56	0.58
Standard & Poor's 500-Stock Index	417.40	411.82	– 5.58	– 1.34
N.Y.S.E. Composite	229.69	227.64	– 2.05	– 0.89
Value Line Index	252.70	257.37	4.67	1.85

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 1/7/92	Closing Price 1/21/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.00	5.00	0.00	0.00	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs (H)	ARBR	24.00	23.50	– 0.50	– 2.08	26	0.12	0.51	24.50	13.00
OTC	Big B	BIGB	12.75	12.38	– 0.38	– 2.94	16	0.16	1.29	14.50	7.13
OTC	Drug Emporium	DEMP	7.63	8.38	0.75	9.84	—	0.12	1.43	9.63	5.50
NYS	Fay's Inc.	FAY	8.88	10.50	1.63	18.31	18	0.20	1.90	15.75	8.25
ASE	Genovese Drug	GDX.A	14.00	13.75	– 0.25	– 1.79	15	0.24	1.75	14.75	5.50
NYS	Longs Drug Stores	LDG	38.25	37.75	– 0.50	– 1.31	13	1.08	2.86	44.38	32.50
OTC	Medicine Shoppe (H)	MSII	27.50	26.75	– 0.75	– 2.73	21	0.36	1.35	30.75	19.00
NYS	Perry Drug (H)	PDS	10.00	9.38	– 0.63	– 6.25	16	0.00	0.00	10.13	5.13
NYS	Rite Aid Corp.	RAD	20.88	21.00	0.13	0.60	15	0.52	2.48	23.88	17.25
NYS	Walgreen Co. (H)	WAG	38.00	38.00	0.00	0.00	24	0.52	1.37	39.38	25.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	18.63	17.50	– 1.13	– 6.04	13	0.40	2.29	26.19	16.00
OTC	Bindley Western Ind.	BIND	17.00	17.00	0.00	0.00	13	0.04	0.24	18.25	11.75
OTC	Cardinal Distribution	CDIC	28.50	27.50	– 1.00	– 3.51	24	0.08	0.29	38.75	22.19
OTC	Durr-Fillauer	DUFM	21.25	21.63	0.38	1.76	15	0.28	1.29	34.75	17.50
NYS	McKesson Corp.	MCK	36.13	35.38	– 0.75	– 2.08	14	1.60	4.52	40.13	31.50
ASE	Moore Medical	MMD	4.00	4.88	0.88	21.88	—	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	21.25	21.00	– 0.25	– 1.18	24	0.20	0.95	24.25	9.34
Manufacturer's transactions											
NYS	Abbott Labs	ABT	67.88	62.00	– 5.88	– 8.66	24	1.00	1.61	69.75	41.63
NYS	American Home Products	AHP	82.38	76.75	– 5.63	– 6.83	18	2.60	3.39	86.25	48.38
ASE	Barr Laboratories	BRL	18.88	19.63	0.75	3.97	31	0.00	0.00	37.50	8.63
NYS	Baxter International	BAX	39.50	37.38	– 2.13	– 5.38	19	0.72	1.93	40.88	27.13
OTC	Block Drugs Co. (H)	BLOCA	57.50	60.00	2.50	4.35	20	0.84	1.40	61.00	37.13
ASE	Bolar Pharmaceutical	BLR	11.75	13.50	1.75	14.89	—	0.00	0.00	14.50	2.00
NYS	Bristol-Myers Squibb (H)	BMY	88.00	81.75	– 6.25	– 7.10	21	2.76	3.38	90.13	66.25
NYS	Carter-Wallace (H)	CAR	132.50	114.75	– 17.75	– 13.40	38	1.00	0.87	137.50	52.63
ASE	Columbia Labs (H)	COB	9.25	8.88	– 0.38	– 4.05	—	0.00	0.00	10.38	4.00
ASE	Forest Labs	FRX	40.38	36.00	– 4.38	– 10.84	35	0.00	0.00	43.63	24.75
ASE	Halsey Drug (H)	HDG	7.13	7.88	0.75	10.53	32	0.00	0.00	9.75	2.25
NYS	ICN Pharmaceutical (H)	ICN	20.63	22.38	1.75	8.48	—	0.00	0.00	25.38	2.63
ASE	Lee Pharmaceutical	LPH	0.88	1.50	0.63	71.43	—	0.00	0.00	2.25	0.75
ASE	Leiner P. Nutrition (H)	PLI	14.38	14.38	0.00	0.00	14	0.00	0.00	14.63	7.25
NYS	Lilly Eli Co. (H)	LLY	85.38	79.00	– 6.38	– 7.47	18	2.20	2.78	87.75	69.50
NYS	Marion Merrell Dow	MKC	37.50	36.13	– 1.38	– 3.67	18	0.92	2.55	39.63	27.25
NYS	Merck Co.	MRK	166.75	151.50	– 15.25	– 9.15	29	2.52	1.66	169.75	87.25
NYS	Mylan Labs (H)	MYL	41.38	35.75	– 5.63	– 13.60	37	0.20	0.56	43.25	17.50
NYS	Nova-Nordisk	NVO	95.63	85.38	– 10.25	– 10.72	20	6.00	7.03	96.00	61.00
OTC	Nutramax Products (H)	NMPC	9.63	9.50	– 0.13	– 1.30	26	0.00	0.00	9.75	0.88
NYS	Pfizer Inc. (H)	PFE	84.50	73.63	– 10.88	– 12.87	28	1.32	1.79	87.00	39.88
NYS	Pharmaceutical Resources (H)	PRX	6.50	7.00	0.50	7.69	—	0.00	0.00	7.50	2.63
NYS	Rhone-Poulenc Rorer (H)	RPR	64.25	61.25	– 3.00	– 4.67	23	0.48	0.78	69.38	34.63
NYS	Schering Plough	SGP	66.88	58.88	– 8.00	– 11.96	20	1.32	2.24	68.00	41.50
NYS	Syntex Corp. (H)	SYN	50.00	49.00	– 1.00	– 2.00	26	0.92	1.88	56.00	29.88
OTC	Taro-Vit Industries (H)	TAROF	5.88	8.88	3.00	51.06	68	0.00	0.00	9.13	2.75
OTC	Teva Pharmaceutical Ind. (H)	TEVIY	20.25	22.75	2.50	12.35	23	0.16	0.70	25.13	11.75
NYS	Upjohn Co.	UPJ	43.75	40.88	– 2.88	– 6.57	14	1.36	3.33	49.25	36.00
NYS	Warner-Lambert	WLA	76.25	71.00	– 5.25	– 6.89	18	1.76	2.48	82.25	66.38
OTC	Zenith Labs	ZENL	16.75	17.50	0.75	4.48	47	0.00	0.00	23.25	5.50
Other retailer transactions											
NYS	Albertson's	ABS	37.38	38.50	1.13	3.01	20	0.56	1.45	51.38	32.75
NYS	American Stores	ASC	33.00	32.88	– 0.13	– 0.38	8	0.68	2.07	46.19	26.00
NYS	Giant Food	GFS.A	23.38	24.13	0.75	3.21	14	0.64	2.65	31.25	20.63
NYS	Great Atlantic&Pacific Tea (L)	GAP	26.00	30.00	4.00	15.38	13	0.80	2.67	57.75	25.00
NYS	Kmart (H)	KM	46.13	49.25	3.13	6.78	13	1.76	3.57	49.75	28.50
NYS	Kroger	KR	19.25	19.25	0.00	0.00	13	0.00	0.00	24.50	13.75
NYS	Melville Corp.	MES	44.75	46.63	1.88	4.19	14	1.48	3.17	55.25	38.25
OTC	Fred Meyer (H)	MEYR	26.50	25.50	– 1.00	– 3.77	16	0.00	0.00	28.75	11.75
NYS	Penney, JC	JCP	51.75	56.75	5.00	9.66	17	2.64	4.65	58.25	46.88
NYS	Safeway	SWY	19.13	19.13	0.00	0.00	15	0.00	0.00	21.63	12.88
NYS	Smith's Food & Drug	SFD	35.25	35.50	0.25	0.71	22	0.36	1.01	43.75	30.00
NYS	Wal-Mart	WMT	56.50	54.63	– 1.88	– 3.32	42	0.16	0.29	59.88	30.75

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

The newspaper of drug store retailing

February 17, 1992

DRUG STORE NEWS

Vol. 14 No. 4

A Lebhar-Friedman publication

C 5150-2

Thrifty kept for now as PE exits retail

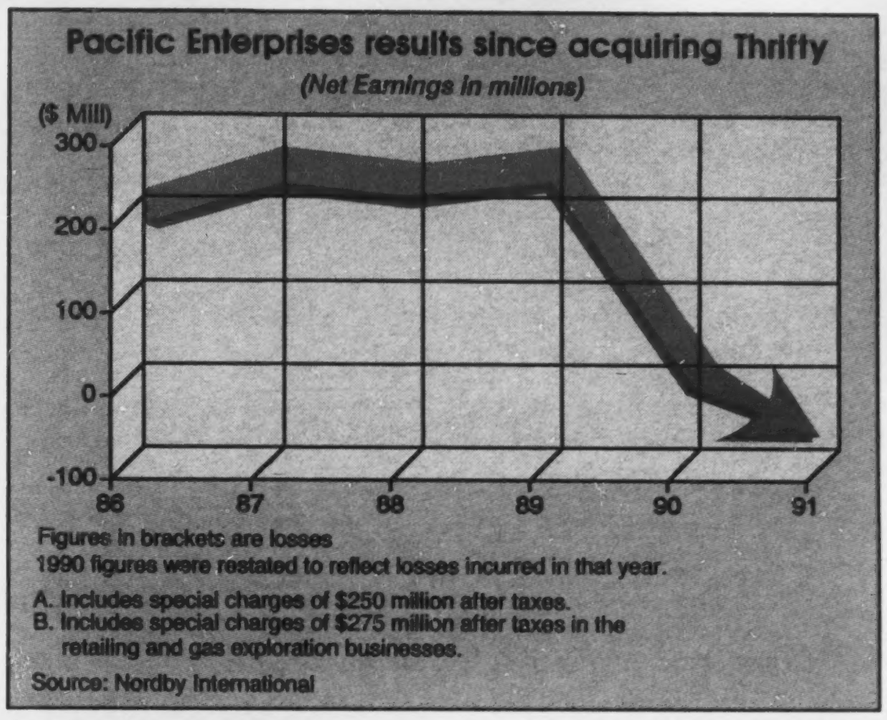
By Allene Symons

LOS ANGELES — Holding company Pacific Enterprises announced a year-end loss of $88 million and revealed plans for a restructuring to divest itself of all businesses except its Southern California Gas Co. and Thrifty Drug Stores.

Assets from the sale of other retail units and an oil and gas exploration company unit will be used to reduce debt. The profitable Thrifty Corp. subsidiary, Seattle-based Pay 'n Save Drug Stores, with 124 outlets, is one of the units to be sold.

Thrifty Corp.'s executive vp, Chris Bement, told *Drug*

See **Pacific** *page 31*



LATE NEWS

• AKRON, Ohio — A U.S. Bankruptcy Court judge has denied a request by Jack Eckerd Corp. for access to additional internal financial reports from Revco D.S. Eckerd argued unsuccessfully in an emergency court hearing Feb. 4 that it needed more information on which to base its takeover proposal for Revco, and said Revco officials were acting to thwart its due diligent access to that information.

• MONTREAL — Shoppers Drug Mart's solid 1991 performance helped fuel 12 percent earnings growth at parent Imasco Ltd. Shoppers/Pharmaprix boosted operating earnings for the year by 9 percent, to $87.9 million (Canadian) on revenues of $161.6 million (Canadian). Same-store sales were up 5 percent.

FEATURES

Rainwear finds its silver lining

Retailers are discovering that rainwear is no longer an "item only" business, but an everyday impulse category. **Page 25.**

Buyers at edge of their seats

Cosmetic buyers went into Christmas '91 with their fingers crossed, and with inventory levels more conservative than ever. **Page 17.**

SECOND CLASS

Hook-SupeRx eyes return to public ownership

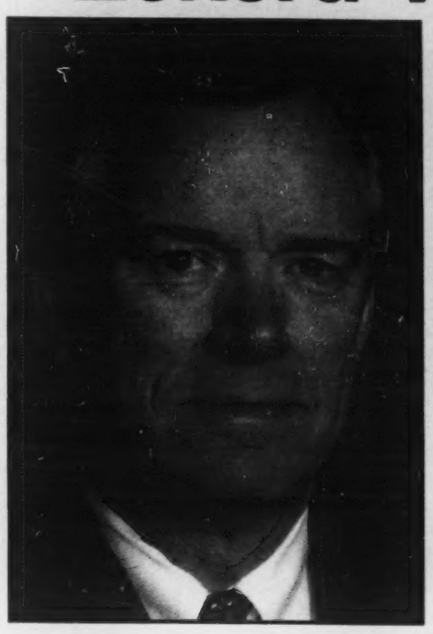
CINCINNATI — Some five years after its managers took the company private in a leveraged buyout, Hook-SupeRx Inc. is mulling a return to the public arena. The company announced Jan. 30 it is exploring making an initial public offering of its stock if and when "market conditions" are right.

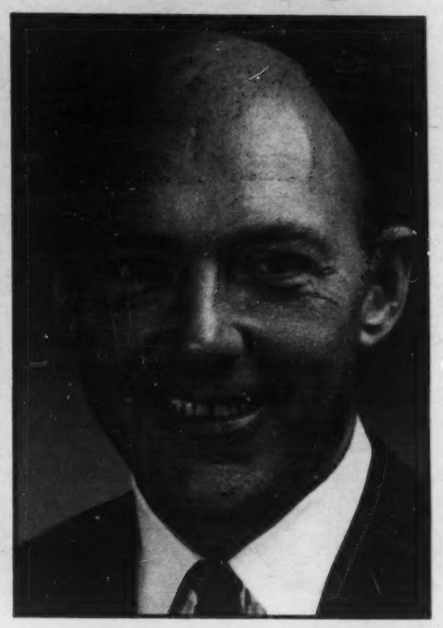
A portion of the offering may include "shares of current shareholders," HSI stated in a release. It is unclear whether those shareholders would include Kroger Co.

Kroger was formerly HSI's parent company before spinning off the drug store division in the mid-1980s, and it retains a 37 percent share of HSI's ownership. However, Kroger spokesman Paul Bernish said it was "far too early" to specu-

See **Hook-SupeRx** *page 31*

Eckerd vs. Revco





Turley outlines plans for Eckerd merger

By James Frederick

CLEARWATER, Fla. — Jack Eckerd Corp. and Revco D.S. continue to collide over the future of the Ohio-based drug chain, with Eckerd reacting angrily to Revco's 11th-hour bid to sway creditors who had earlier endorsed a rival takeover bid by Eckerd.

"We expect Revco's creditors to stand by their agreement with us," said Eckerd chairman, president and ceo Stew Turley in a sharply worded statement. "Three weeks ago, we negotiated in good faith an agreement, and jointly presented it to the court.

"In the interim, we have continued to work with all groups to complete the transaction," Turley continued. "We continue to believe the Eckerd plan still offers superior value to all Revco creditors."

Sweet enough

Separately, Eckerd spokesman Gene Ormond told *Drug Store News* his company had "no need to" again sweeten its offer for Revco. Eckerd says its plan still offers the best value to creditors.

Continued on page 13

Sells, Zell/Chilmark make new cash bid

TWINSBURG, Ohio — In a last-ditch move to remain independent, Revco D.S. has allied itself with an investment group which is making a new, $250 million cash offer to the company's creditors. That offer—by the investment firm Zell/Chilmark Fund L.P.—would allow creditors to swap their stock in a reorganized Revco for $7.47 a share if Revco's reorganization plan is approved by a majority of creditors and U.S. Bankruptcy Court.

Revco has amended its own, sweetened reorganization plan to include the cash buyout proposal from Zell/Chilmark. Under its terms, Revco's trade creditors and holders of subordinated debentures (junk bonds) would receive a combination of cash out of Revco's own coffers and 35 million shares of new common stock in the reorganized company. They would then have the option of selling their shares to Zell/Chilmark immediately upon confirmation of a Revco-sponsored reorganization plan.

If successful, the deal could give the investment firm up to 95 percent of Revco equity. If the plan prevails, it will give

Continued on page 13

Albertson's to buy 74 Jewel/Oscos

Albertson's plans to buy 74 Jewel/Osco combos in Texas, Oklahoma, Florida and Arkansas, in a deal valued at more than $300 million. The stores are expected to show a loss in the fiscal year now ending.

BOISE, Idaho — Albertson's has entered into a letter of intent to buy 74 Jewel/Osco combination food and drug stores from American Stores. The transaction, which includes stores in Texas, Oklahoma, Florida and Arkansas as well as a general merchandise warehouse in Ponca City, Okla., is valued at more than $300 million.

The 74 stores are expected to post sales of around $1.5 billion, but not turn a profit, in the fiscal year ending Feb. 1. Albertson's, which currently operates stores in Texas and Florida,

See related story, page 31.

expects to realize cost efficiencies by adding 74 stores and a warehouse to its base of large stores in the west, south and

See **Albertson's** *page 31*

NEWS IN BRIEF

Perry settles out of court for auto div.

PONTIAC, Mich. — Perry Drug Stores has agreed to an out-of-court settlement that ends four years of legal wrangling over the sale of its auto parts division in 1988.

Perry agreed to pay roughly $2.5 million to settle a dispute with the division's new owners. The dispute arose from a disagreement over accounting charges and other matters arising from Perry's $51 million sale of Auto Works, according to Perry spokesman Berl Falbaum.

The settlement forced Perry to revise downward its fiscal 1991 net earnings, which were adjusted to $3.1 million from $5.6 million to reflect the one-time charge.

Revco: big cash for McDonald Houses

TWINSBURG, Ohio — Revco D.S. raised $250,000 to benefit 33 Ronald McDonald Houses over the Christmas selling season. The funds came through the sale of 100,000 Holiday Nutcrackers.

Revco teamed with Olympic gold medalist Mary Lou Retton to promote the fundraising effort. Retton also acts as corporate spokesperson for the chain.

Ronald McDonald Houses provide temporary quarters for families with children being treated for chronic, serious diseases.

Shoppers to toast suppliers, stores

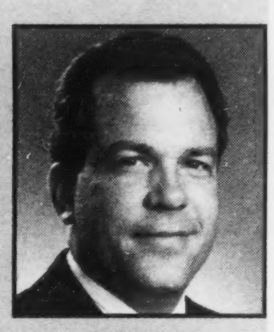
TORONTO — Shoppers Drug Mart will cap a year-long celebration of its 30 years in business with an awards dinner for suppliers, franchisees and support teams March 1. The event, which a spokesman dubbed "an Academy Awards-style gala," will also mark the chain's move past the $3 billion sales mark last year.

In line with the event, the company will produce a 100-page program which details Shoppers' history and accomplishments. "It will be the story of Shoppers Drug Mart, complete with congratulatory ads from our suppliers," said company spokesman Michael Wilson.

The chain will hold a sister event in Vancouver, B.C. for its western operation March 23.

Pay Less promotes 2

Camden



McKillip

WILSONVILLE, Ore. — Pay Less Drug Stores has promoted two executives in a move to promote in-store design and better meet the needs of its marketplace.

Maggie Camden, formerly manager of store planning, has been promoted to director of store planning. Camden was instrumental in the design of the 45-degree store design featured in the chain's new stores. She will work with merchandising, schematics, marketing, real estate and construction to design the presentation of merchandise in stores that the chain is remodeling and will develop new store designs.

Ron McKillip, formerly manager of the Wilsonville distribution center, has been named director of distribution. He will be responsible for the operation of both the Wilsonville and the Woodland, Calif. distribution centers and will oversee construction and the future operation of a new center to be built near Salt Lake City. McKillip will also head the traffic and transportation areas.

IN THIS ISSUE

FEATURES

Top Chains Distribution 29

COSMETICS AND FRAGRANCES

Christmas '91 Cosmetics . 17-21
Beauty Beat 22

GENERAL MERCHANDISE

Rainwear 25

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Store Manager Training 14
People in the News 26
Product Updates 26
Technology Updates 30
Finance 32

McKesson revamps field force; simplifies 7 regions into 4

McKesson Drug streamlines seven regions into four while shifting more authority to local levels by creating 22 new slots of vp/general manager—each is responsible for one to three DCs.

SAN FRANCISCO — McKesson Drug Co. has restructured its field organization to shift more authority to the local level. In the new structure, seven regional vp spots are supplanted by four positions of senior vp-operations, each with a restructured support staff. The new local management tier consists of 22 vp-general managers. Each vp-gm is in charge of one to three distribution centers and reports to a senior vp of operations.

The four senior vp of operations are Hubie McMorrow, West (Walnut Creek, Calif.); Robert McGuire, Central (Romeoville, Ill.); Gary Folsom, Northeast (Delran Township, N.J.); and Claude Griffin, South (Atlanta). All report to executive vp of operations, Hank Wilde. McMorrow and McGuire were formerly members of the drug company staff in San Francisco. Folsom formerly served as northeast region vp, while Griffin was central region vp.

Each of the senior vps will head a specialized staff that has been restructured to address specific market segments. Staff members include a director of sales and customer service to support independent pharmacies and coordinate the customer service program, a director of national accounts to service chain drug stores, mass merchandisers, grocery and combo stores and a director of hospital and institutional services.

Two new McKesson Drug Co. positions, yet to be filled, are president of hospital and institutional services and vp of nationwide quality improvement. Changes in San Francisco headquarters include the creation of a mangement board of key managers to review and approve major decisions.

Thomas Simone, McKesson Drug Co. president, said the reorganization will result in a more flexible organization, bring decision-making closer to the customer and improve communications. "These changes will put us in the best possible position to compete in an increasingly demanding market and will give each partner in McKesson Drug more participation and involvement in the way we run our business," said Simone.

ActMedia designs instant couponer small enough to shelve with product

By Barbara White

NEW YORK — Couponing at point of sale is far from new, but a new device from ActMedia, the Instant Coupon Machine, has put a new tilt on point-of-purchase couponing.

The Instant Coupon Machine is the latest in the wave of machines that offer customers coupons in the store. Many of these dispense coupons to customers who use touch screen technology to indicate the coupon they wish dispensed.

Merchandising spotlight

ActMedia's machine, which measures three by two inches, fits directly on the shelf next to the merchandise being couponed and dispenses the coupons one at a time.

"The brand managers I've talked to say that point of purchase is becoming more important than FSI coupons," said James Devine, president of Chain Drug Marketing Associates. "People are likely to forget their coupons at home and then decide not to make the purchase. Couponing at the store level can increase turns."

"The unit is a shelf-edge rebate dispenser that is set up, then restocked, by reps," said Jay Ross, director of merchandise at Revco, D.S., Inc., where the machine was tested in 15 stores. The chain plans to introduce the units to all stores this year.

"The unit pays more than shelf talkers in terms of the display allowance. And using it has given us significant increases in turns," he said.

Chains that had not tested the machine introduced it last month. Said an advertising manager at one West Coast chain: "The concept isn't new, but the mechanism itself is innovative. It gets more attention because it almost hands the customer the coupon."

The exec said he also liked the machine since it was sold to manufacturers rather than retailers.

"We think the machine will create more sales," said Doug Palmacci, vp of advertising at Brooks Drug, due at press time to install the machines chainwide at the end of February. "It's an innovative tool that's come a long way since its initial development."

Palmacci said that as more data shows an increase in the number of purchase decisions being made at store level, manufacturers will spend more money on this type of promotion rather than on FSIs.

FoxMeyer to assume May's warehousing, DC

TULSA, Okla. — May's Drug Stores has decided to farm out its warehousing and distribution to FoxMeyer, its primary wholesaler, citing a desire to emphasize its core retail business and add stores.

In so doing, May's may well be heading a trend. Said Tom Anderson, executive vp and chief operationg officer at FoxMeyer: "More customers are talking with us about taking over their warehousing and merchandising. Many are rethinking their position of being in the warehousing business and deciding to spend more of their capital on running their core business."

The Tulsa-based chain will close its 20,000-square-foot Joplin, Mo. warehouse in April in favor of leasing space from FoxMeyer in the wholesaler's Tulsa location. FoxMeyer will assume responsibility for all receiving, storage, order picking, shipping and reclamation functions for the chain.

May's distribution manager David Vineyard will coordinate the merchandise move and will become FoxMeyer's assistant operations director.

Growth is one reason the chain is discontinuing its own warehousing.

"In five short years, May's more than doubled its size to 34 stores," said May's president Gerald Heller. The FoxMeyer site will bring 50 percent more storage space to the chain and enable it to expand warehouse space up to 90,000 square feet. He said that as the chain improves its ability to forward buy and to purchase greater quantities, it could keep its prices more competitive.

Eckerd, HSI may go public as stocks soar

IN THE MARKET
BRUCE BUCKLEY

When Chain Store Age became Drug Store News 13 years ago, there were 22 publicly traded drug chains. Today there are only 11.

Consolidation and leveraged buyouts have trimmed the ranks of public companies. Indeed, a then-and-now comparison of the companies operating under public ownership provides a vivid overview of the chain drug industry as it developed over the past decade. Only six chains remain from that 1979 list: Fay's, Genovese, Longs, Perry, Rite Aid and Walgreens. Among the fallen: Begley, Cunningham, Dart, Drug Fair, Gray Drug. . .

Interestingly, two of the most prominent names on that 13-year-old list may soon be returning to the ranks of publicly traded companies. Jack Eckerd Corp. is moving swiftly on an initial public offering of $300 million, the net proceeds of which will be used to pay down debt. And just this week Hook-SupeRx Inc. said it was entertaining the notion of its own initial public offering, also to retire debt.

Thus, they may join a slew of other companies who have operated under the more flexible, cash-flow-driven goals of LBOs, but are now rushing to return to the glare of Wall St. scrutiny faced by public companies.

The reason, of course, is that the current market for initial public offerings is ideal. Stock prices are at an all-time high and interest rates are almost at rock-bottom—a hothouse environment for IPO growth.

"The market for IPOs is hotter than a pistol right now," says Jonathan Ziegler, financial analyst for Sutro and Co., San Francisco. Ziegler's interest in the chain drug arena slackened in recent years as the number of public companies dwindled. Now his attention is piqued once again, with the prospective return of Eckerd and possibly others down the road.

No one expects a stampede. Consolidation has thinned ranks of possible candidates. But there may be several others whose executives and investors, lured by the chance to trade a load of company debt for equity and at the same time to measure the value of their own investments, will exchange their somewhat more loose-fitting private mantles for tighter public ones.

* * *

Jack Robinson, chairman and ceo of Perry Drug Stores, joins our Editorial Board of Advisers with this issue. I'm pleased to be able to welcome Jack, whom I've known for a number of years, since my first attendance of NACDS's annual meeting—the association's 50th Anniversary in Washington. Jack, a persuasive man, convinced me to part with some money to support the association's Political Action Committee.

Robinson
Perry

Since that time, Jack has never been one to mince words when it comes to our performance at Drug Store News, good or bad. Jack tells it like it is. And that, of course, is exactly what we look for in our board members. Praise is nice to hear, but more important is the counsel that we get on our weaknesses. In a fast-changing information marketplace, we need blunt advisers who will help us shape our product to address the changing needs of our customers, our readers.

Jack is refreshingly blunt in his opinions. Which is not surprising for an entrepreneurial pharmacist who built one of the nation's leading drug store chains from a single store in Detroit that he launched 35 years ago.

For a busy executive, Jack seems to have enough time for everything—business, family and humanitarian causes. Now he's accepted our invitation, and we're looking forward to his contributions.

FTC says aspects of slotting fees are illegal

WASHINGTON PERSPECTIVE
KEN RANKIN

A lot of key drug store product categories are driven by product innovation, real or imagined. New colors, flavors, sizes, styles and brands are constantly adding fresh excitement at cosmetic counters and other corners of the store.

But this product proliferation also creates new costs for drug stores. Adding a new SKU to a chain's inventory control records and creating a "home" for that item on the shelves involve a certain amount of expense. If the new product "bombes", there are still more costs associated with removing that item from the system.

Is it fair to ask suppliers to share some of the retailer's risk, and expense, by paying a shelf placement fee or "slotting" allowance for each new product introduced?

More to the point, perhaps: are such "slotting fees" legal under the antitrust laws?

The Federal Trade Commission has been wrestling with that question for the past several years. Recently, agency antitrusters broke their silence and offered some practical advice on the subject.

According to FTC competition bureau director Kevin Arquit, whether or not a slotting fee is legal under federal antitrust law depends on the "context" in which the allowance is paid. "There is nothing inherent in such a transaction that would make it an antitrust violation," he says.

In what way could slotting fees create legal problems for drug stores?

According to Arquit, "if a group of retailers were to agree on the level of slotting payments they would require from manufacturers, the agreement could be challenged as an unlawful price-fixing agreement among competitors."

Drug chains could also be vulnerable to charges that they are using slotting fees to monopolize markets at the expense of independents. "A retailer might allege that a larger competitor was extracting substantial slotting payments from manufacturers as part of a scheme to monopolize a market through predatory pricing," the FTC antitrust chief explained.

Slotting allowances may also create antitrust exposure for suppliers, Arquit notes. Manufacturers would risk price fixing charges by conspiring among themselves to set slotting fees or to refuse to offer them to retailers, he says.

Additionally, Arquit maintains that certain slotting fee arrangements could create problems for manufacturers under the Robinson-Patman anti-price discrimination act. Offering stock placement allowances to some retailers but not others could be a prescription for antitrust litigation, he contends.

Although it is "perfectly permissible to pay an allowance to secure specific shelf space for its promotional value," it's important that such allowances "be offered to all retailers on a proportionate, non-discriminatory and functionally equivalent basis," the FTC antitruster says.

Does that mean that the XYZ corner drug store is entitled to the same stock placement fee on a case of deodorant that the manufacturer pays the Walgreens or Safeway store across the street? That seems to be what FTC is saying.

DRUG STORE NEWS®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher JAY FORBES
Editor BRUCE BUCKLEY

Executive Editor Al Heller
Senior Desk Editor Bernadette Casey
Special Projects Editor Elizabeth Parks
Associate Editor Barbara White
Desk Editor Carol Kearney
Desk Editor Fred Rueckher
Editorial Assistant Carine Dabady

Pharmacy Editor Dianne Tharp, R.Ph. (Tampa; (813) 664-6778)

Bureau Editors: James Frederick (Sr. Editor, Cleveland; (216) 642-3420), Allene Symons (Assoc. Editor, Los Angeles; (213) 464-8321), Ken Rankin (Bureau Chief, Washington; (301) 774-3895), Deane Evans (Washington)

Art Director Bob Brokman
Graphic Artist Kyung Ae Yoo

Associate Publisher/
National Adv. Manager JILL MANEE

REGIONAL SALES OFFICES

New York
Nat'l Accounts Manager Larry Krongold
N.Y. Area Manager John Kanlon
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: James Malver
Office Manager: Angela Ftaras
Chicago 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: Maggie Kaeppel
Office Manager: Beverly Wendtland
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, (213) 464-8321
Office Manager: Maureen Jackson

Group Circulation Director
Matthew J. Clancy, Sr.
(3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746)
Nat'l Director of Field Marketing & Circulation Services Jim Dickson
Circulation List Manager Torry Burdick
Director of Manufacturing Stan Kaufman
Advertising Production Mgr.
Debbie Rothenberg
Business Manager Joel Safir

Board of Advisers
Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAleer Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) Arnold D. Friedman

President J. Roger Friedman
VP/Administration Harry A. Estes
VP/Publisher Fred Filer
VP/Publisher Jay Forbes
VP/Finance James Granato
VP/Circulation Martha Pattley
VP/Publisher John Rapuzzi
VP/Human Resources John Murro
Director, Corporate Development John O'Brien

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

FoxMeyer gains in 3rd qtr. with net income and sales

DALLAS — FoxMeyer Corp. announced an increase in net income to $10.2 million for the third quarter ended Dec. 31, 1991, up 14.7 percent from $8.9 million in the same prior year period.

Operating income rose 43.3 percent in the quarter, to $14.6 million from $10.2 million in the year-earlier quarter. Sales were $788.1 million for the quarter, an increase of 7.4 percent over the previous year's comparable quarter sales of $733.6 million.

Net income for the nine months ended Dec. 31 increased 44.5 percent to $23.2 million from $16 million for the same period in the previous year.

Medicap's fiscal year: winner

WEST DES MOINES, Iowa — Medicap Pharmacies, Inc. has released double digit sales increases for its fiscal year ended June 30, 1991.

Medicap franchised stores that have been open two years or longer had average store sales (based on an average 800 square-foot store) of $600,000 for the fiscal year ended June 30, 1991. That represents an increase of 16.8 percent from $548,000 for the same period in the previous year.

Overall store sales, including new stores, were $43.7 million for the year ended June 30, 1991, up 23.5 percent from $35.5 million for the same period in 1990. Projected network sales are $55 million for the year ending June 30, 1992. About 90 percent of that volume came from prescriptions.

Victor Boutrous, Medicap's director of marketing, attributed the growth to the company's continued emphasis on personal service which, he said, would become increasingly important in the '90s.

Medicap currently operates 82 franchised stores.

Record 3rd qtr. for Cardinal

DUBLIN, Ohio — Cardinal Distribution announced record sales and earnings for its third quarter ended Dec. 31, 1991.

Net sales increased 44 percent in the third quarter to $453.4 million compared to $315.7 million in the comparable period the year before. Net earnings also increased 44 percent to $6.5 million from $4.5 million last year.

For the first nine months of fiscal 1991, net sales improved 38 percent to $1.164 billion from $843 million last year.

The third quarter sales increase includes a 25 percent internal growth rate and the acquisition of Chapman Drug Co., which was completed in October.

Safeway's income declines

OAKLAND — Safeway, Inc. reported modest sales growth, but a decline in net income for the fiscal year ended Dec. 28, 1991. Sales rose 1.7 percent to $15.1 billion from $14.8 billion in 1990, with same-store sales flat for the year.

Operating profit, impacted by a $115 million charge associated with the bankruptcy of AppleTree Markets, declined to $433.3 million from $535.3 million. The third-quarter AppleTree charge and early debt retirement resulted in a fourth quarter loss of $47.7 million compared to a net income of $27.7 million in the same period 1990. For the year, net income declined to $54.9 million from $87.1 million.

Tepid sales gains were attributed to reduced consumer spending, low food price inflation and heightened competition in some markets. Improvement in gross profit, up 0.5 percent in 1991, resulted in part from private-label sales, additional store specialty departments and inventory management systems.

Safeway operates 880 stores in the U.S. and 237 in Canada; more than half of the Safeway stores have pharmacies.

MARKET DIARY:

Largest Dollar Gainer	Merck Co.	$ 7.38
Largest Dollar Loser	Mylan Labs	$ – 2.75
Largest Percentage Gainer	Zenith Labs	27.14%
Largest Percentage Loser	Barr Laboratories	– 12.10%

Advances	39
Declines	17
Unchanged	4
New highs	5
New lows	0

	Close 1/21/92	Close 2/4/92	Net Change	Percent Change
Drug Store News Index	4986.56	5093.27	106.71	2.14
Dow Jones Industrial Average	3223.39	3272.81	49.42	1.53
Standard & Poor's 500-Stock Index	411.82	413.85	2.03	0.49
N.Y.S.E. Composite	227.64	228.79	1.15	0.51
Value Line Index	257.37	262.03	4.66	1.81

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 1/21/92	Closing Price 2/4/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.00	4.50	– 0.50	– 10.00	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs (H)	ARBR	23.50	23.75	0.25	1.06	26	0.12	0.51	25.25	14.00
OTC	Big B	BIGB	12.38	12.00	– 0.38	– 3.03	16	0.16	1.33	14.50	7.38
OTC	Drug Emporium	DEMP	8.38	8.13	– 0.25	– 2.99	—	0.12	1.48	9.63	5.50
NYS	Fay's Inc.	FAY	10.50	10.38	– 0.13	– 1.19	17	0.20	1.93	15.75	8.25
ASE	Genovese Drug	GDX.A	13.75	12.25	– 1.50	– 10.91	13	0.24	1.96	14.75	6.50
NYS	Longs Drug Stores	LDG	37.75	39.00	1.25	3.31	14	1.08	2.77	44.38	33.38
OTC	Medicine Shoppe	MSII	26.75	26.25	– 0.50	– 1.87	20	0.36	1.37	30.75	19.00
NYS	Perry Drug (H)	PDS	9.38	10.50	1.13	12.00	18	0.00	0.00	10.50	5.50
NYS	Rite Aid Corp.	RAD	21.00	21.50	0.50	2.38	15	0.52	2.42	23.88	17.25
NYS	Walgreen Co.	WAG	38.00	38.63	0.63	1.64	24	0.52	1.35	39.38	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	17.50	17.38	– 0.13	– 0.71	13	0.40	2.30	26.19	16.00
OTC	Bindley Western Ind. (H)	BIND	17.00	19.13	2.13	12.50	15	0.04	0.21	19.13	12.88
OTC	Cardinal Distribution	CDIC	27.50	30.75	3.25	11.82	25	0.08	0.26	38.75	22.50
OTC	Durr-Fillauer	DUFM	21.63	23.75	2.13	9.83	16	0.28	1.18	34.75	17.50
NYS	McKesson Corp.	MCK	35.38	33.50	– 1.88	– 5.30	15	1.60	4.78	40.13	31.75
ASE	Moore Medical	MMD	4.88	4.75	– 0.13	– 2.56	—	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	21.00	20.63	– 0.38	– 1.79	24	0.20	0.97	24.25	11.16
Manufacturer's transactions											
NYS	Abbott Labs	ABT	62.00	64.25	2.25	3.63	25	1.00	1.56	69.75	44.75
NYS	American Home Products	AHP	76.75	80.00	3.25	4.23	18	2.60	3.25	86.25	54.75
ASE	Barr Laboratories	BRL	19.63	17.25	– 2.38	– 12.10	27	0.00	0.00	37.50	11.75
NYS	Baxter International	BAX	37.38	37.38	0.00	0.00	18	0.72	1.93	40.88	30.00
OTC	Block Drugs Co.	BLOCA	60.00	59.88	– 0.13	– 0.21	19	0.88	1.47	61.00	42.47
ASE	Bolar Pharmaceutical	BLR	13.50	13.63	0.13	0.93	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb	BMY	81.75	81.75	0.00	0.00	21	2.76	3.38	90.13	72.38
NYS	Carter-Wallace	CAR	114.75	121.00	6.25	5.45	40	1.00	0.83	137.50	58.75
ASE	Columbia Labs	COB	8.88	8.88	0.00	0.00	—	0.00	0.00	10.38	4.75
ASE	Forest Labs	FRX	36.00	36.88	0.88	2.43	34	0.00	0.00	43.63	28.25
ASE	Halsey Drug	HDG	7.88	8.13	0.25	3.17	33	0.00	0.00	9.75	3.00
NYS	ICN Pharmaceutical	ICN	22.38	23.38	1.00	4.47	—	0.00	0.00	25.38	3.50
ASE	Lee Pharmaceutical	LPH	1.50	1.50	0.00	0.00	—	0.00	0.00	2.25	0.75
ASE	Leiner P. Nutrition	PLI	14.38	14.50	0.13	0.87	16	0.00	0.00	14.63	10.13
NYS	Lilly Eli Co.	LLY	79.00	78.75	– 0.25	– 0.32	18	2.20	2.79	87.75	69.50
NYS	Marion Merrell Dow	MKC	36.13	36.25	0.13	0.35	18	0.92	2.54	39.63	27.25
NYS	Merck Co.	MRK	151.50	158.88	7.38	4.87	29	2.52	1.59	169.75	93.75
NYS	Mylan Labs	MYL	35.75	33.00	– 2.75	– 7.69	33	0.20	0.61	43.25	21.13
NYS	Nova-Nordisk	NVO	85.38	86.25	0.88	1.02	21	0.60	0.70	96.00	61.00
OTC	Nutramax Products (H)	NMPC	9.50	10.75	1.25	13.16	30	0.00	0.00	11.00	0.78
NYS	Pfizer Inc.	PFE	73.63	74.13	0.50	0.68	27	1.48	2.00	87.00	48.25
NYS	Pharmaceutical Resources	PRX	7.00	7.25	0.25	3.57	—	0.00	0.00	7.50	2.63
NYS	Rhone-Poulenc Rorer	RPR	61.25	65.63	4.38	7.14	28	0.56	0.85	69.38	37.50
NYS	Schering Plough	SGP	58.88	61.50	2.63	4.46	20	1.32	2.15	68.00	45.50
NYS	Syntex Corp.	SYN	49.00	49.13	0.13	0.26	26	0.92	1.87	56.00	34.25
OTC	Taro-Vit Industries	TAROF	8.88	8.63	– 0.25	– 2.82	72	0.00	0.00	9.13	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	22.75	24.00	1.25	5.49	24	0.16	0.67	25.13	11.75
NYS	Upjohn Co.	UPJ	40.88	42.50	1.63	3.98	14	1.36	3.20	49.25	37.63
NYS	Warner-Lambert	WLA	71.00	69.75	– 1.25	– 1.76	66	2.04	2.92	82.25	66.38
OTC	Zenith Labs	ZENL	17.50	22.25	4.75	27.14	60	0.00	0.00	23.25	6.25
Other retailer transactions											
NYS	Albertson's	ABS	38.50	42.50	4.00	10.39	23	0.56	1.32	51.38	32.75
NYS	American Stores	ASC	32.88	33.38	0.50	1.52	9	0.68	2.04	46.19	26.00
NYS	Giant Food	GFS.A	24.13	24.63	0.50	2.07	14	0.64	2.60	31.25	20.63
NYS	Great Atlantic&Pacific Tea	GAP	30.00	31.50	1.50	5.00	14	0.80	2.54	57.75	25.00
NYS	Kmart (H)	KM	49.25	49.88	0.63	1.27	13	1.76	3.53	51.25	33.50
NYS	Kroger	KR	19.25	19.63	0.38	1.95	14	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	46.63	48.13	1.50	3.22	15	1.48	3.08	55.25	38.25
OTC	Fred Meyer	MEYR	25.50	27.25	1.75	6.86	17	0.00	0.00	28.75	14.25
NYS	Penney, JC	JCP	56.75	56.88	0.13	0.22	17	2.64	4.64	58.25	47.13
NYS	Safeway	SWY	19.13	18.38	– 0.75	– 3.92	29	0.00	0.00	21.63	15.00
NYS	Smith's Food & Drug	SFD	35.50	39.63	4.13	11.62	24	0.44	1.11	43.75	30.25
NYS	Wal-Mart	WMT	54.63	55.50	0.88	1.60	43	0.16	0.29	59.88	33.50

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 4 Feb. 17, 1992

CS150-2

DRUG STORE NEWS®

VOL. 2/NO. 2 | The Journal of Retail Pharmacy | FEBRUARY 17, 1992

NEWS FOCUS

• Look for feathers to fly over a proposed new unit-of-use Rx packaging policy at APhA's annual meeting next month. Advocates say it will "minimize pharmacist involvement in the manipulative aspects of dispensing." Critics warn it will drive up both inventory costs and generic drug prices. APhA's recommendation praises the potential value of unit-of-use to "enhance pharmaceutical care," but opposes its exclusive use.

• Ortho and Virginia's Center for Innovative Technology (CIT) have reached a licensing agreement for continued development of a vaccine to stimulate women's immune systems to develop antibodies to sperm. CIT could be ready for human testing in two years. This birth control option could be administered by pill or injection, and its effect could last from two to five years.

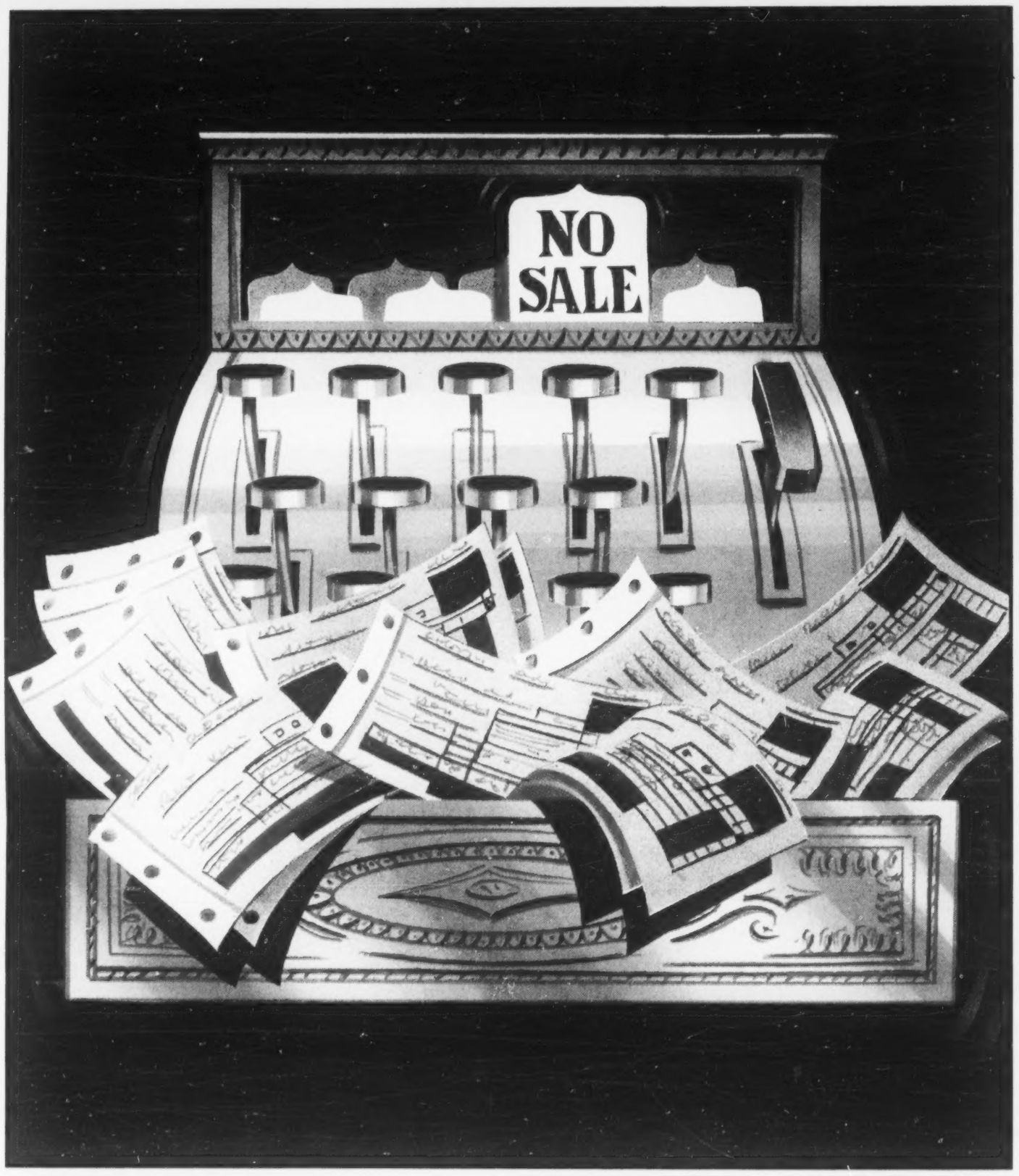
• "Open your eyes before you open your mouth," says a new anti-tampering ad campaign cosponsored by the FDA and NDMA. Although not all product imperfections indicate tampering, the ads advise patients to be safe rather than sorry.

Loyalty is the prize in insulin market

Page 27.

Costco blazes new trails to pharmacy

Page 33.



Employers seek to control spiraling Rx benefit costs

Third Party issues continue to plague pharmacists as cash in the till is replaced by paper promises of payment while gross margins erode. Also concerned about the third party explosion are those who pay for drug benefits: the employers. Drug Store News *talks to third party administrators about how employers are gearing up to control costs, and what role pharmacists play in helping them manage the pharmaceutical benefit, beginning on page 17.*

for the PHARMACIST

contents

FEATURES

Cover: Third party growth plagues pharmacy and payors

Employers, faced with rising prescription costs, look to ease their financial burden through pharmaceutical benefits management. Contracting segments of the business to third party administrators is one of the strategies they're using. Does this mean more headaches for drug stores? *Page 17*

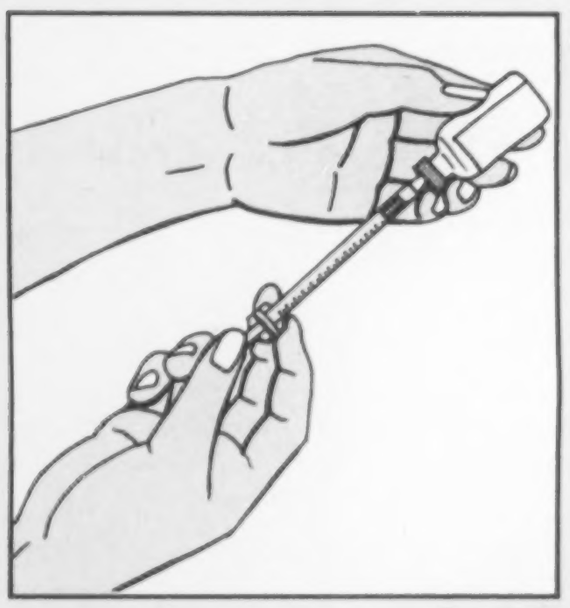
Brand loyalty drives insulin buys

Wrestle as they might to gain market share, manufacturers are still finding it a hard struggle to convince diabetes patients to switch insulin products. Retailers say physician's recommendations carry the most weight. *Page 27*

Page 17

Demographics are competitive tool

You don't have to have an MBA to plan a marketing strategy. Demographics—inexpensive and easy to get—can help retailers evaluate their markets, plan for expansion and create an image. *Page 30*



Page 27

Pharmacy joins the Costco club

Costco, the third largest wholesale club, reports its stores are filling 400 to 500 prescriptions a day. The departments require a higher service level than the club is used to providing, but the strong and lucrative customer pull is worth it. *Page 33*

DEPARTMENTS

Opinion 6
Statewire 9
Third party news 9
Drug watch 11
Exec view 14
New products 16
Tabs & caps 32
Technology corner 34
Association news 34
Continuing education 37

FDA is slower making NDAs than a decade ago

Last year the FDA approved 30 totally new drugs — seven more than the year before and the most since 1985 when the agency also cleared 30 "new molecular entities" (NMEs).

Five of the NMEs approved in 1991 are products that FDA'ers believe will offer a "significant therapeutic gain" over existing medications.

In addition to the NMEs, FDA issued 33 new drug approvals (NDAs) for products representing variations on existing drugs (new dosage forms, combinations), approved 188 new generics, and issued 76 biologics licenses.

But while the FDA's drug approval productivity showed some signs of improving last year, the figures reveal some discouraging news as well.

On the downside, the average FDA review time needed to clear the 30 NMEs approved in 1991 increased to 30.3 months — 2.6 months longer than the year before.

According to industry sources, last year's apparent slowdown in FDA new drug reviews may be a phantom blip on the statistical radar screen.

Indeed, Gerald Mossinghoff, PMA president, said that "the average approval time was increased considerably by the FDA's efforts to reduce the backlog of long-pending new drug applications (NDAs)."

Critics of the agency, howev-

Continued on page 12

'New Molecular Entities' Approved in 1991

Drug	Manufacturer approval	Indication	Rating*	Review Time (months)	Prior Foreign
Accupril (quinapril HCl)	Warner-Lambert	hypertension	1C	31.1	Yes
Altace (ramipril)	Hoechst-Roussel	hypertension	1C	26.7	Yes
Aredia (pamidronate disodium)	Ciba-Geigy	hypercalcemia in cancer patients	1B-E	22.3	No
Biaxin (clarithromycin)	Abbott	anti-infective	1B	19.3	Yes
Cefzil (cefprozil)	Bristol-Myers Squibb	anti-infective	1C	20.8	No
Ceredase (alglucerase)	Genzyme	Gaucher's disease	1A-VE	11.4	No
Chemet (succimer)	McNeil	juvenile lead poisoning	1B-V	17.3	Yes
Fludara (fludarabine phosphate)	Berlex	chronic lymphocytic leukemia	1A-VE	22.0	No
Foscavir (foscarnet sodium)	Astra	AIDS-related CMV retinitis	1B-AAE	12.2	Yes
Ganite (gallium nitrate)	Fujisawa	cancer-related hypercalcemia	1B-VE	22.0	No
ISMO (isosorbide mononitrate)	Wyeth-Ayerst	angina-pectoris prevention	1C	96.1	Yes
Lodine (etodolac)	Wyeth-Ayerst	anti-arthritic	1C	97.1	Yes
Lorabid (loracarbef)	Lilly	anti-infective	1C	16.1	No
Lotensin (benazepril HCl)	Ciba-Geigy	hypertension	1C	35.6	Yes
Mazicon (flumazenil)	Hoffmann-LaRoche	benzodiazepine reversal	1B	12.3	Yes
Monopril (fosinopril sodium)	Bristol-Myers Squibb	hypertension	1C	30.0	Yes
Nipent (pentostatin)	Warner-Lambert	hairy cell leukemia	1A-VE	8.0	No
Nuromax (doxacurium chloride)	Burroughs Wellcome	muscle relaxant	1C	23.5	No
Penetrex (enoxacin)	Warner-Lambert	anti-infective	1C	62.3	Yes
Plendil (felodipine)	Merck	hypertension	1C	17.3	Yes
Pravachol (pravastatin sodium)	Bristol-Myers Squibb	cholesterol reduction	1C	33.0	Yes
Relafen (nabumetone)	SmithKline Beecham	anti-arthritic	1C	70.5	Yes
Supprelin (histrelin acetate)	Ortho	precocious puberty	1A-V	31.1	No
Survanta (beractant)	Abbott	infantile respiratory distress syndrome	1C-VE	17.9	Yes
Ticlid (ticlopidine HCl)	Syntex	thrombotic stroke prevention	1B-E	23.5	Yes
Videx (didanosine)	Bristol-Myers Squibb	AIDS	1A-AAE	6.2	No
Zithromax (azithromycin)	Pfizer	anti-infective	1B	18.7	No
Zocor (simvastatin)	Merck	cholesterol reduction	1C	50.3	Yes
Zofran (ondansetron HCl)	Glaxo	anti-nausea in cancer patients	1B	14.8	Yes
Zoloft (sertraline)	Pfizer	anti-depressant	1C	44.6	No

*RATING CODE:
1 — drug that is a new molecular entity
A — drug offering "significant therapeutic gain" B — drug offering "moderate therapeutic gain" C — drug offering "little or no therapeutic gain"
AA — highest priority classification for AIDS drugs E — drug for severely debilitating or life threatening illness V — orphan drug

Source: U.S. Food and Drug Administration; Pharmaceutical Manufacturers Association.

FDA is slower making NDAs than it did in the early '80s

Continued from page 11

er, counter that the drug approval backlog reflects decades of FDA mismanagement and should not be cited as an excuse for slow-footed review procedures today. By law, the FDA is required to complete NDA reviews in six months, but the agency was unable to process a single new drug within that statutory period last year.

Even more disturbing to many, however, is the persistent evidence of a "drug lag" which may be slowing the availabity of new medicines to patients in this country.

Over half the new drugs approved for U.S. marketing last year had already been available to patients in Europe, Japan and other countries. Among the NMEs approved in '91:

- Accupril (quinapril HCl), an antihypertensive from Warner-Lambert prescribed since 1989 for patients in France, Italy, South Africa and three dozen other countries;
- Wyeth-Ayerst's ISMO (isosorbide mononitrate), marketed in Germany and dozens of other countries since the early 1980s, yet required more than eight years of FDA review;
- Chemet (succimer), an orphan drug adopted by McNeil, has been used as a treatment for juvenile lead poisoning in China since the mid-1960s;
- Glaxo's Zofran (ondansetron HCl), a drug for relief from chemotherapy-related nausea, was made available to cancer patients in 47 countries before FDA's approval for U.S. marketing on the last day of 1991.

FDA: is it padding drug approval 'body count'?

Although the Food and Drug Administration granted final marketing approval to 30 new molecular entities during 1991, there are indications that a number of those NMEs were rushed through at the eleventh hour to avoid the appearance of an FDA slowdown.

Nearly one-third of last year's new drug crop—nine of the 30 NMEs cleared for marketing in '91—were approved during the final two weeks of the year.

Several, including Warner-Lambert's Penetrex (an anti-infective which has been under review at the FDA for 62 months), were not approved until the final day of 1991.

Although FDA officials deny "cutting any corners" to inflate the NME count during Commissioner David Kessler's first year in office, it's obvious that federal drug reviewers were straining to clear as many new drugs as possible before the end of '91.

Without the nine NMEs rushed through during the final two weeks of the year, the 1991 new drug approval harvest would have been the second smallest of the past decade—a major embarrassment for an FDA's gung ho new commissioner.

Rx R&D may be yielding diminishing returns

The pharmaceutical industry's "investment" in new drug research and development rose 14 percent last year to $9.6 billion—an increase that is just about on pace with the growth of drug R&D since the early 1970s.

PMA staffers point out that dollars spent by their members on R&D have been doubling every five years for the past two decades. That, they maintain, is a sign of the industry's commitment to bringing new medical therapies to the market.

But, based on the sheer numbers of totally new drugs resulting from that ever-growing research investment, it is also an indication that pharmaceutical industry R&D is delivering less and less bang for the buck.

In 1982, for example, PMA's member firms laid out just under $3 billion for research and development, an average of about $100 million for each of the 28 NMEs approved for marketing that year.

By '87, the industry's worldwide R&D costs had climbed to $5.5 billion—$262 million for each new drug approved that year. Last year's $9.6 billion R&D spending averages out to $320 million per NME approved.

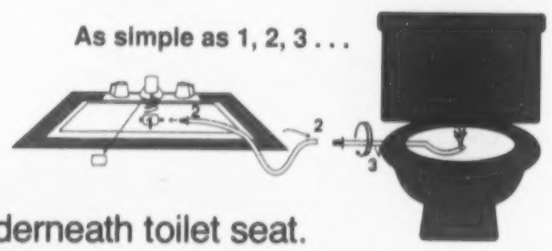
Of course, not all industry R&D spending goes to develop NMEs. Much of it is earmarked for new versions of existing drugs, while a good deal of it goes into "dry holes" that yield no marketable products.

But the point is clear: although pharmaceutical industry R&D spending is doubling every five years, this increased investment isn't generating any more NMEs than in the past.

That's one reason why drug stores, consumers and taxpayers are paying sharply higher prices for the new drugs that are coming out of the pipeline today.

NEW PORTABLE SPRITZ BATH

Offers Healing Comfort and Cleansing Effects of a Bidet in the Home Bathroom.



- Fits underneath toilet seat.
- Affordable and convenient.
- Easy to install and operate. Connects to the sink faucet.
- Offers soothing relief from . . .
  —hemorrhoids
  —childbirth
  —post-surgical inflammation
- Excellent personal hygiene device for daily use.
- Other Spritz products include "Spritz Oil Spray" and "Spritz Feminine Post-Surgical Mist."

To order or for further information call:

Circle **#005** on Reader Service Card

The **sun** is the **major cause of** cold sores called lip **sun blisters.**

Herpecin-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC. P.O. Box 812-A, FDR, NY, NY 10150

Circle **#006** on Reader Service Card

Employers try to dampen 3rd party benefit costs

By Dianne Tharp, R.Ph.

The third party card programs so visible at the retail pharmacy level are but the tip of the iceberg of total employer-provided pharmacy benefits. While pharmacies see over 40 percent of their business dispensed on third-party cards, 75 percent of the employer-provided pharmacy benefit is through indemnity or major medical plans.

The U.S. Department of Commerce reports 40 percent of today's drug market belongs to third party and predicts a whopping 60 percent share by 1995. And with an escalating proportion of health care costs going to pharmaceuticals (11 percent), the spotlight in employer-provided health care coverage is on drug benefits.

Employee drug benefits are increasing dramatically as both the cost and number of prescriptions rise. Fueling the trend is the shift of patients from hospitals to ambulatory care centers. What's more, manufacturers have been developing and promoting newer, often expensive chronic care medicines to go along with the consumer trend to more healthy lifestyles and improved quality of life. Better drug compliance contributes to this improvement. Besides benefits for active employees, employers also face increasing costs for retirees. Recent studies have shown that as much as 30 percent to 40 percent of employers' retiree health care costs are for drug benefits alone. And these retirees are living longer because of medical care advances.

Thus, the catch words of the '90s has become pharmacy benefits management, or, how do you keep the bonfire from raging out of control?

One solution: Employers are giving more of the pharmacy portion of their health plans to third party administrators (TPAs), and letting them handle the problem entirely.

The challenge to TPAs, according to Ben Zelman, senior vp of strategic planning of InsuRx, a prescription benefit management company based in Cleveland, is to respond to differing benefit design requirements of plan sponsors while maximizing cost control.

Have PSAOs failed?

In selecting cost-effective pharmacy providers, some TPAs report more success with chain pharmacies than with groups representing independents, such as Pharmacy Services Administration Organizations (PSAOs).

Chains stand to benefit from this trend toward TPAs, says Elan Rubinstein of Rubinstein Associates, a prescription benefits consultant to employers.

"PSAOs have not worked out too well, competitively speaking," Rubinstein says. The reason: independents have to check first with their PSAO network before contracting to participate as a pharmacy provider. It's hard to get all parties to agree. Dealing with one individual at a drug chain is easier, Rubinstein claims. "Like one-stop shopping, dealing with chains has been a lot more convenient — and they've become pretty sophisticated," he says.

Larry Pahigian, senior vp and national sales manager, Prescription Health Services (PHS), a prescription benefit administrator and claims processor, agrees with Rubinstein on PSAOs. "Five years ago, I would have said that PSAOs are a beautiful thing. Today, they are non-active, and will not be a meaningful force on the health care industry," says Pahigian.

Zelman of InsuRx supports the fact that PSAOs "didn't negotiate" to participate as pharmacy providers and "too many parties" are involved in the process. This doesn't mean that independent pharmacies are overlooked by this TPA.

InsuRx has successfully negotiated with independent pharmacies directly. "Independents are an important part of our pharmaceutical benefit delivery system," Zelman says. That may account, in part, for InsuRx' explosive 5,000 percent growth over the last five years, from $109,000 in their first year of business to $5.6 million in 1990.

John Rector, vp government affairs NARD, blames manufacturers for PSAOs' lack of success in negotiating third-party business. Multi-tier pricing issues aside, Rector states that "if PSAOs had access to normal economies of scale, they would have been successful." He says he is not aware of a single company that will deal with independents' buying groups.

Not to sell PSAOs short, he adds, "just the idea that there are mechanisms or vehicles to allow independents to participate" gives PSAOs value.

Advent of POS technology

To date, pharmacy benefit management has not been easy, but POS technology is revolutionizing third party.

POS puts eligibility information and benefits design on the pharmacy counter. With access to profiles, the POS vendor or pharmacy benefits manager can determine if patients are eligible, if they have satisfied their deductible, if the drugs are covered, and what the copays should be. And POS gives the payor, via the TPA, new power to manage drug benefits.

In spite of the power of POS, one big problem with managed care today, according to InsuRx' Zelman, is fragmentation. Today, each health care component is independent of the others. "Ultimately, benefits will be coordinated and data will be merged. Only then can we really manage the person's care," says Zelman.

Continued on page 18

Employers' 3rd party benefit

Continued from page 17

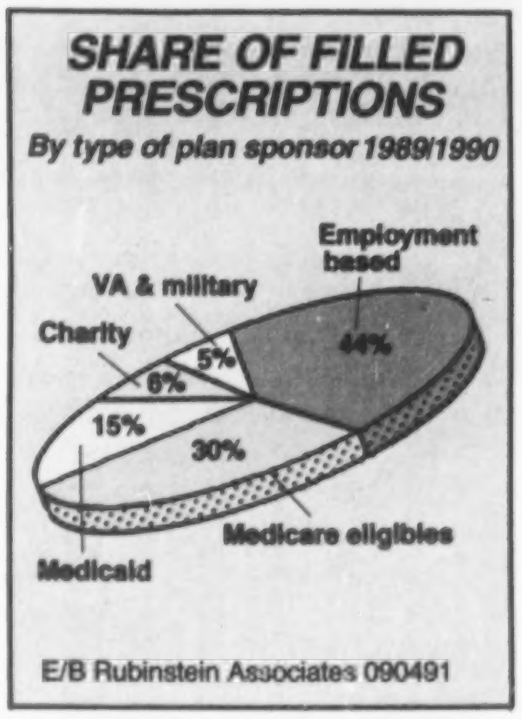
Rubinstein feels that there is a movement away from what he calls "cash/carry/ reimburse" — indemnity or major medical plans — where the patient submits the bill for reimbursement. He sees Paid's new Claim Direct product and others like it as transitional solutions. (Claim Direct is an indemnity plan whereby claims are sent via POS so the employer can collect data and do DUR. But the customer must pay cash at the pharmacy and submit a paper claim for reimbursement.

Pharmacists have objected to this type of program because they must pay a POS transaction charge yet complete a paper claim form. In some cases, they have to accept the plan sponsor's version of usual and customary retail, which may be less than what the pharmacist is charging the more elusive cash customer.

Part of the employer appeal for employee self-reimbursement is the fact that initial out-of-pocket expenditure by the employee may cause more judicious utilization. Add to that anticipated savings from the "shoe box" effect, where the employee puts the receipt in a shoe box and forgets to submit it for reimbursement.

Elan doesn't see this as the answer to escalating drug costs, however, because it is inconvenient for the employee and more expensive for the employer to administer. A more effective long-term solution would involve several possibilities: shifting costs to employees by increasing co-payments; going to co-insurance or a percentage co-pay; increasing deductibles; and returning to usual and customary retail when a maximum drug benefit is reached. "The trick is to figure out ways to help control costs without affecting levels of service," says Bill Turner, sales manager for prescription claims processor, Argus Health Systems.

PHS' Pahigian disagrees with Rubinstein's assessment of the future of the POS/indemnity product. He says putting an indemnity program online is an attempt to combine the best components of both plans, and "makes this program more workable." He sees programs like Claim Direct as another way of cost-sharing, and predicts attempts to control costs in this way will increase.



Health care faces crucial debate

The future will see third party coverage in pharmacies increasing as employers switch from indemnity programs to managed pharmacy programs. And, with over 34 million citizens without health insurance, can nationalized health care be far behind?

In the 1992 election year, health care will be a key debated issue. The "pay or play" proposal seeks to make employers pay into a federal pool, and the government will cover beneficiaries, or the employer must offer benefits themselves. Employers that do not "play" may push government mandates.

Future of service

Is there a future for clinical services? Rubinstein feels the jury is still out. There is no hard evidence to date documenting what employers are saving through pharmacist clinical intervention. Most pharmacy benefit management companies have the technology now and are doing clinical interventions, including concurrent and retrospective DUR. So what is the pharmacist doing?

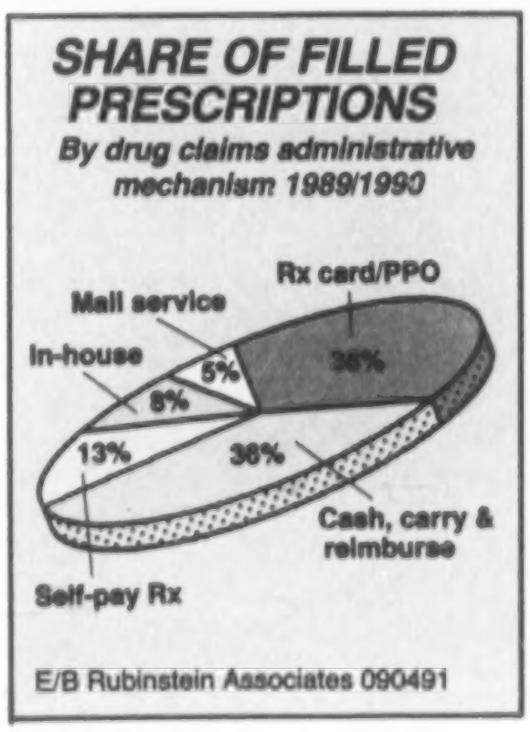
Many employers see the pharmacist's role as passive, says Rubinstein. Do they just key in the data? If so, why pay more for pharmacist services when the TPA will do the review?

"Managed care is a double edged sword that can work for or against pharmacy," says Rubinstein, "unless roles are found for pharmacists in the outpatient setting similar to those in the inpatient setting" and the value of those roles is documented.

A major push for more clinical intervention will result next January when OBRA '90 will require DUR for Medicaid patients.

Who will benefit? "Not necessarily pharmacy, but the people in the middle like pharmacy benefits managers, TPAs and claims processors," says Rubinstein. "This could be an important loss for pharmacy."

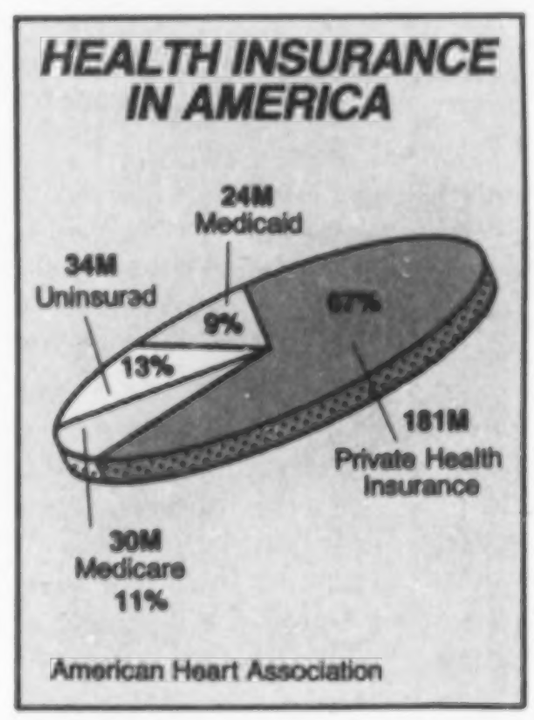
Yet both Pahigian and Mark Wermes, regional vp of sales at PHS, believe that "the pharmacist plays a major role in benefits management." This role includes "decreasing excessive prescribing and using professional judgment in the delivery of quality drugs at good costs," says Pahigian. Wermes sums it up when he says, "All health care is a local phenomenon. It comes down to the pharmacist to provide that health care." They see their role—the role of the TPA—as "taking a lead in determining compliance from retrospective review, and forecasting the best changes going forward."



Future of MOPS questioned by employers

Although future predictions are anyone's best guess, Rubinstein sees mail order pharmacy service (MOPS) slowing down in the next few years. "Before, [MOPS] was easy to implement and employers were sold on savings," says Rubinstein. Given the cost containment opportunities with POS and pharmacy benefits management, there may be less to be saved with MOPS.

InsuRx' Zelman agrees that more employers are questioning the value of MOPS, since it hasn't been shown to save them money. The real change in the pharmacy benefits business will be at the retail level, according to Rubinstein, "and pharmacy needs to get very aggressive in this area."



Drug Store News **is approved by the American Council on Pharmaceutical Education as a provider of continuing pharmaceutical education.**

Jon C. Wagner, Pharm.D., Assistant Dean, Student and Professional Affairs, Assistant Professor of Pharmacy Practice, College of Pharmacy, University of Nebraska Medical Center, Omaha, Nebraska.

Goal:

1. Review the history and epidemiology of drug use in athletics.
2. Describe the unique environment and stresses of athletics which may put an athlete at risk for substance abuse.
3. Discuss the potential performance-enhancing properties of a variety of drugs.
4. Review current attempts in amateur and professional athletics to control drug use.
5. Provide examples and suggestions for how pharmacists can apply their knowledge in the area of sports pharmacy.

Objectives:

After completion of this lesson, the pharmacist should be able to:
1. recognize the past and present incidence of drug use by athletes.
2. identify stresses and pressures which may put the athlete at risk for substance abuse.
3. recognize the drugs athletes may use to enhance their performance and the rationale for their use.
4. differentiate between the attempts of amateur and professional sports organizations to control drug use.
5. recognize opportunities for pharmacists to apply their unique knowledge in the area of sports pharmacy.

How widespread is the use of drugs in athletics?

Introduction

In the premier event of all of sports, Ben Johnson decisively won the 100 meter dash at the 1988 Summer Olympic Games in Seoul. Seen by millions worldwide, a muscular Johnson defeated seemingly easily his arch rival, Carl Lewis. Just days later, his triumph turned into tragedy as he was stripped of the gold medal due to a urine drug test which was positive for the anabolic steroid, stanazolol.

Never before had the use of drugs in athletics received such attention. Not even when athletes died from their drug use. This single event produced discussions ranging from pharmacology to ethics, with most of the attention focused on the elite athlete.

These debates have raised a number of questions: How widespread is the use of drugs in athletics? Is there a problem with social drugs of abuse as well as performance-enhancing drugs? Do performance-enhancing drugs really work? How dangerous are these drugs? What can be done to control the use of drugs in athletics? Pharmacists with their knowledge of drugs, professional commitment to rationale drug use, and accessibility to the public, are in a unique position to help answer these questions.

History of sports drug use

From the beginning of athletic competition, participants have looked for ways to improve performance. This has led to advances in techniques, training methods and nutrition.

Unfortunately, it has also led to experimentation with a variety of drugs. Despite the just recent attention, the problem of drug use in athletics can be traced back to the ancient Greek Olympics, where competitors took herbs and mushrooms to improve their performance. In the 19th century, endurance athletes in Europe often consumed either sugar cubes dipped in nitroglycerin, or a drink known as *vin mariani*, which was a mixture of coca leaves and wine. Both of these concoctions reportedly reduced fatigue.

In the more modern era of sports, athletes began using more potent drugs. During the 1950s, Soviet and American athletes began using anabolic steroids and amphetamines. In 1968, the International Olympic Committee began conducting urine drug testing at sanctioned events, but few

Continued on page 38

You or your company must have paid for a subscription to *Drug Store News* to enable you to enroll in our CE program. Subscribers are entitled to 12 free CE lessons worth two credit hours each.

If the *Answer Section* is marked "sample," call the subscription department at (813) 664-6707 to subscribe. Complete the *Answer Section*, check box requesting enrollment, and mail card and answers to address on *Answer Section*.

If this is a paid subscription, complete *Answer Section* not marked "sample." If not enrolled, check enrollment box and mail answer sheet. If enrolled, complete enrollment number and mail answer sheet.

Any subscription questions, call customer service at (813) 664-6707.

NOTE: Lessons submitted more than three years after publication of lesson will be returned ungraded.

Continued from page 37

athletes were ever caught using banned drugs.

By the 1980s, drug assay technology had advanced to where even small amounts of drugs and their metabolites could be detected. That decade brought public awareness that athletes could not escape the consequences of social drug abuse. Alcohol and cocaine were the most common drugs of abuse. Alcohol claimed the life of professional hockey player, Pelle Lindbergh, through an alcohol-related automobile accident. In 1986, Len Bias, a standout collegiate basketball player, and Don Rogers, a professional football player, died from cocaine overdose. These cases represent only a few of the hundreds which involve athletes and substance abuse.

Most recently, anabolic steroids have returned to the sports pages with Lyle Alzado's claim that his past steroid use has caused his inoperable brain cancer; the suicide attempt by Terry Long, of the Pittsburgh Steelers, a known steroid user; and the disclosure of widespread, sophisticated and controlled use of steroids by East German athletes. All of this attention on drug use in athletics has resulted in an increased public awareness and concern.

Exploring the problem

The public's concern over this problem is often articulated through some basic questions, the first being "Is this a widespread problem, or is it limited to elite athletes?"

Only a few epidemiologic studies exist which have looked exclusively at substance abuse among athletes. One of the earliest was conducted in 1985, with a follow-up in 1989, by the College of Human Medicine at Michigan State University at the request of the National Collegiate Athletic Association. This study examined performance-enhancing and social drug use among a cross-section of collegiate athletes.

Table 1 shows the substance abuse patterns in college student athletes from the 1985 and 1989 studies. The findings suggest that a substantial number of college athletes use or have used drugs, with alcohol the clear social drug of choice. The data also show that the majority of all substance abuse begins while the athletes are in junior or senior high school. Over 70 percent of alcohol, marijuana, and cocaine users began social drug use before entering college. Nearly one quarter of anabolic steroid users admitted to taking them prior to entering college.

These results demonstrate that the problem is not one that occurs once athletes reach an elite level, but one that can be traced back to adolescence. Anabolic steroid use has been studied to some extent in this population. The largest, most frequently quoted survey was conducted in 1988. This study suggests that as many as 250,000 to 500,000 anabolic steroid users are adolescents.

Reasons for drug abuse

But why do athletes take drugs? Drug use by athletes can be divided into four categories: 1) therapeutic; 2) social; 3) performance-enhancing; and 4) the use of drugs to mask the presence of other drugs in the urine.

Many drugs can fall into more than one category, and in fact, may be classified differently by different sports organizations. For example, a bronchodilator may be considered a therapeutic drug when used to treat an asthmatic athlete, yet when used by a non-asthmatic, the drug could enhance performance.

Athletes often need medical care for illness and injury and many times, this necessitates the legitimate use of drugs. Because of the aforementioned overlap between categories, drug products must be carefully selected for athletes competing in events where urine drug testing is conducted.

There have been cases where athletes were disqualified because they took a cold remedy which contained a drug which was banned from competition, most frequently, phenylpropanolamine. Athletes are not immune from the pressures and temptations to use social drugs of abuse.

The elite and professional athlete's lifestyle of high income, frequent travel, considerable idle time and macho image have been cited as possible risk factors. Athletes at all levels, even those in junior high, are visible to criticism and have a consistent expectation to improve. In addition, most athletic careers don't end when an athlete reaches his 30s, but instead, in junior and senior high school. These factors, plus the seemingly clear connection between sports and alcohol, may increase the use of social drugs in athletes as a coping behavior.

One way to respond to the pressures of being an athlete is to look for a way to improve performance. When training and nutrition techniques no longer provide the expected results, some athletes find themselves contemplating performance-enhancing drugs. The term "ergogenic" is often used to describe these drugs.

Ergogenic means the use of drugs or physiologic substances taken in an abnormal manner with the sole intent to artificially improve athletic performance. This definition uses the phrase "physiologic substances" in addition to drugs so as to include the use of naturally occurring products such as testosterone, and to include *blood doping*.

Blood doping is a procedure where a portion of an endurance athlete's blood is removed and stored during training. The red blood cells are then separated and transfused back into the athlete prior to competition. The goal is to increase red blood cell mass to improve oxygen consumption during the athletic event.

With the increased use of urine drug testing at athletic events, athletes have begun looking for ways to avoid detection. The lengths some athletes may go to avoid getting caught is demonstrated in the often reported story where an athlete was found having "clean" urine instilled into his bladder before a drug test. A less invasive way to avoid detection is to use drugs to mask the presence of other drugs in the urine. Diuretics are used to try to reduce the concentration of other drugs in the urine by increasing the rate of excretion. Probenecid, which is known to delay elimination of penicillin, has been used to similarly block excretion of anabolic steroids.

Table 1

Substance abuse patterns in college student athletes

	1985	1989
Number of athletes surveyed	2049	2282
Ergogenic drug use in previous year		
Amphetamines	8%	3
Anabolic steroids	4	5
Barbiturates	2	2
Major analgesics	28	34
Weight loss products	n/a	5
Social drug use in previous year		
Alcohol	88	89
Caffeine	68	64
Cocaine/crack	17	5
Psychedelics	4	4
Marijuana	36	28
Smokeless tobacco	20	28

Performance drugs: A to Z

Success in athletics is the result of many factors: skill level, the opponent's skill level, playing conditions and mental attitude, just to name a few. Drugs can't improve on these factors, but they can potentially improve size, strength, speed and endurance in some individuals. Meaningful changes in these physiologic components could impact athletic performance.

Continued on page 39

Continued from page 38

Alcohol. Ethyl alcohol is one of the most used and abused drugs among athletes and in society in general. A common misconception is that beer and other alcohol-containing beverages are ergogenic since they are rich in carbohydrates, vitamins and minerals. On the contrary, alcohol is not a very good source of these nutrients and appears to be devoid of any ergogenic properties. Also, even modest social use of the drug may adversely effect performance. Decision-making, which is important in many sports, can be impacted even after the blood alcohol levels have returned to zero and no physical effects are evident.

This latent effect was first studied in Navy aircraft pilots in a controlled environment. The pilots flew a mission in a flight simulator. The response to an emergency situation was objectively measured.

At a later date, the same pilots were given enough alcohol to produce a blood alcohol level of 100mg/dl. Fourteen hours later the pilots flew an equally demanding, yet different flight simulation. Even though blood alcohol levels were zero and none of the pilots reported any ill effects from the previous night's "cocktail party," the simulator scores were significantly worse.

This latent effect, which has not been studied in athletes, could produce similar results in decision-making, visual tracking and information processing. Similar effects may also be seen on physiologic variables such as strength and endurance.

One area of athletic endeavor which can be positively influenced by alcohol is in precision events, such as pistol marksmanship and archery. In these events, alcohol can improve performance by reducing hand tremor. Because of this, alcohol is banned at these type of events by the IOC and NCAA.

Amphetamines. The first performance studies of amphetamines were for military applications rather than athletics. During World War II, experiments showed that soldiers could march longer distances and ignore pain.

A recent study looked at the effects of amphetamines on athletic performance. The investigators measured individual components associated with athletic performance in six subjects. The physiologic components measured were strength, muscular power, sprinting speed, acceleration, aerobic power and anaerobic capacity.

While under the influence of amphetamines, the subjects showed improvements in all of the components except sprinting speed. Significant improvements were noted in strength, acceleration and anaerobic capacity. Slight increases were observed in time-to-exhaustion and heart rate. Even though time-to-exhaustion was improved, lactic acid concentrations and maximum volume of oxygen (VO_2Max) remained unchanged.

This evidence suggests that amphetamines do not delay exhaustion as once thought, but instead masks the body's response to exhaustion. This certainly could explain the deaths of elite endurance athletes in the 1960s while taking amphetamines. The athletes essentially ran or cycled themselves to death because they were unaware of their fatigue.

Anabolic steroids. Anabolic steroids are synthetic derivatives of the male sex hormone testosterone. They were developed to try to produce a compound which was purely anabolic, or tissue-building, and free of any androgenic, or masculinizing effects. Since no compound has yet to be developed which is *only* anabolic, these drugs should technically be referred to as anabolic-androgenic steroids.

The claim made by those athletes who use anabolic steroids is that the drugs can increase lean body mass, strength and aggressiveness as well as reduce recovery time between workouts. These claims were initially refuted by the medical profession, based on a few studies using therapeutic doses of anabolic steroids.

In 1984, a review of the literature was conducted which concluded that anabolic steroids could increase size and strength if several conditions were met. First, intense weight training must accompany steroid use. Second, the athlete must consume a high protein, high caloric diet. Finally, any changes in strength must be measured by single-repetition, maximum weight techniques familiar to the athlete.

How these drugs work is still not completely understood. A number of possible mechanisms have been suggested. The first involves anabolic steroid receptors which have been located in muscle cells. When occupied by steroids, these receptors stimulate the production of RNA, which in turn increases protein synthesis. The second possible mechanism is that these drugs produce a positive nitrogen balance which increases the amount of protein available for tissue building. The final theory suggests that anabolic steroids produce euphoria and a sense of reduced fatigue which allows the athlete to train longer and harder.

The one area where performance research appears unequivocal is the **absence of effect on endurance**. Anabolic steroids don't improve aerobic metabolism or VO_2Max. But, they have the potential to produce a variety of adverse effects in athletes. Most of what is known about these drugs' toxicity comes from diseased patients receiving therapeutic doses.

Athletes who take anabolic steroids often take doses 10 to 100 times the therapeutic dose. The regimens may include more than one steroid preparation, a practice known as "stacking." This combination is taken for anywhere from 4 to 18 weeks and followed by a drug-free period of approximately the same length. This pattern is referred to as "cycling," and is timed in such a way that the athlete will be drug-free during any competition where drug testing is conducted. When the anabolic regimen no longer produces the desired gains in mass and strength, which the athlete's call "plateauing," the number of drugs or doses or both are increased.

These patterns of anabolic steroid use clearly demonstrate that 1) athletes will consume massive doses in their quest to be bigger and stronger; and 2) they are aware of the toxicity of these agents. Whether these drug-free cycles and the relative young age of the athletes offset the toxicity is not known.

Continued on page 40

ANSWER SECTION

***Drug Store News for the Pharmacist* is approved by the American Council on Pharmaceutical Education as a provider of continuing pharmaceutical education.**

Paid subscribers: To qualify for two continuing education credit hours (0.2 CEUs), answer the questions at the end of this lesson and complete the answer section on the reverse. Provide information requested below, and mail to *Drug Store News for the Pharmacist* Continuing Education Program, Box 31180, Tampa, FL 33631-3180. Or fax to Latara Clements at (813) 664-6886. A passing grade of 70 percent will be recorded and a certificate of completion sent. Phone (813) 664-6735 with questions. NOTE: *If this answer section is marked "sample," see* enrollment instructions *box at the beginning of this lesson.*

☐ **Check if this is a change of address**
☐ **Please enroll me**
Enrollment number .....
Name .....
Company .....
Subscription Address .....
City, State .....
Zip .....

Continued from page 39

The adverse reactions associated with anabolic steroids range from minor to severe, and effect virtually every body system. Anabolic steroids frequently involve the liver, resulting in peliosis hepatis, hepatic tumors, cholestasis and non-specific elevations in liver function tests.

Peliosis hepatis is a condition where blood-filled sacs are formed in the liver which can rupture and cause severe hemorrhaging.

Liver tumors have been reported in the general population receiving anabolic steroids for medical conditions as well as in athletes. Elevations can be seen in athletes taking steroids, but also is seen in athletes undergoing strenuous physical training. This type of training can raise liver enzymes which are also found in muscle tissue. For that reason, anabolic steroid use should be monitored by watching alkaline phosphatase and the liver-specific iso-enzyme of lactate dehydrogenase.

Anabolic steroids affect the endocrine system in both men and women. In males, circulating testosterone is reduced which results in decreased sperm production and testicular size. The effect on sex drive is variable, but often is enhanced early in the course of steroid use, and then decreases to normal or below normal with continued use. Human chorionic gonadotropin is used by some anabolic steroid users in an attempt to reverse the effects on testicular size and sex drive. Males may also experience gynecomastia, especially with the use of high doses of anabolic steroids. This condition of increased breast tissue develops when excess androgen is converted to estrogen. Some anabolic steroid users take tamoxifen, an antiestrogen used to treat breast cancer, to reverse the gynecomastia. Breast tissue usually returns to normal once anabolic steroid use is stopped.

In females, the use of anabolic steroids results in masculinizing characteristics. Deepening of the voice, male-patterned baldness, decreased breast size and enlarged clitoris have all been reported. Many of these masculinizing effects are not reversible even with discontinuation of anabolic steroid use.

The cardiovascular system can also be adversely effected by anabolic steroids. These drugs can cause significant decreases in high density lipoprotein (HDL) and increases in low density lipoprotein (LDL). This altered HDL/LDL ratio is a known risk factor for cardiovascular disease. Lipid levels will return to baseline once anabolic steroids are discontinued. Other cardiac complications reported among anabolic steroid users include hypertension, cardiac enlargement and stroke.

An emerging body of evidence suggests that anabolic steroids can result in serious psychiatric problems. A survey of 41 known steroid users revealed that 22 percent met the criteria for a manic episode while on steroids, or for a depressive episode while off the drugs. Case reports describe a number of other psychiatric symptoms including euphoria, irritability, hyperactivity, delusions, acute schizophrenia, increased aggressiveness, violent behavior and suicide. These swings in mood are often referred to as "roid rage."

Although somewhat controversial, a theory has been established which suggests that anabolic steroids are addictive. This potential for addiction helped lead to a recent reclassification of anabolic steroids as controlled substances in the United States. Other adverse reactions to anabolic steroids include premature epiphyseal closure of long bones in adolescents resulting in short stature, acne, connective tissue abnormalities and AIDS from needle sharing.

Caffeine. One of the most widely available and used drugs in the world, caffeine is also used by athletes as an ergogenic aid.

The drug stimulates the CNS, which may increase alertness and reduce the perception of fatigue. In addition, caffeine has the ability to increase circulating levels of free fatty acids which can serve as a fuel source during physical activity. This alternate fuel source reduces the body's dependence on muscle glycogen. The potential for improved endurance has been demonstrated at doses of 250 to 400mg taken one hour prior to exercise and again immediately before exercise.

For this reason, caffeine is banned as an ergogenic substance by both the IOC and NCAA. Normal ingestion of caffeine in the form of coffee, tea or soft drinks will not produce a urine specimen which exceeds limits set by the IOC or NCAA. To get the doses required to improve endurance, an athlete would have to consume so much liquid that the resultant fluid load would be counterproductive. For this reason, caffeine suppositories are the dosage form of choice among endurance athletes.

Cocaine. The use of cocaine by athletes has received much media attention. However, there is little evidence suggesting that the drug possesses any ergogenic properties. Cocaine does not increase muscular strength, but other performance effects remain unknown. Still, athletes have taken the drug as an ergogenic aid. The effect on performance is most likely perceived, rather than real.

The toxicity of cocaine is well known. A number of athlete's deaths have been attributed to use of cocaine. A hypothesis has suggested that highly conditioned athletes may be at an increased risk for cocaine-induced mortality. Due to the muscle composition of these athletes, a dose of cocaine large enough to produce a seizure could also generate enough heat and lactic acid to result in cardiac shutdown.

Erythropoietin. As previously mentioned, blood doping is a method used by athletes to improve endurance. Human recombinant erythropoietin has the potential to produce an increase in red cell mass similar to, or greater than, that seen with blood doping.

Unpublished research conducted in Europe claims increases in hemoglobin and hematocrit, which resulted in improvements in athletic performance.

Erythrocythemia produced by the use of erythropoietin can lead to hypertension, congestive heart failure and stroke. The drug has been banned by both the IOC and NCAA, but a method for detection has not yet been developed.

Human growth hormone.

Continued on page 41

Questions on "How Widespread Is the Use of Drugs in Athletics?," published February 17, 1992 (Lesson 679-401-92-002) are worth two hours of credit. Credit eligibility expires three years after publication.

ANSWER SECTION

1. _____	5. _____	9. _____	13. _____	17. _____
2. _____	6. _____	10. _____	14. _____	18. _____
3. _____	7. _____	11. _____	15. _____	19. _____
4. _____	8. _____	12. _____	16. _____	20. _____

A. Overall program evaluation: ☐ Excellent ☐ Good ☐ Fair ☐ Poor

B. Comments: _____
(attach sheet for more room)

C. Suggestions for future topics: _____

Continued from page 40

When naturally released from the pituitary gland, endogenous growth hormone results in growth and development of virtually every body system, including skeletal and muscle mass. Exercise and stress can stimulate growth hormone secretion. Growth hormone can be stimulated by other substances such as propranolol, vasopressin, clonidine, levodopa and several amino acids. Athletes are known to consume these drugs with the sole intention of increasing their growth hormone production.

Synthetic growth hormone is available and has also been used by athletes. Whether endogenous growth hormone is ergogenic is not known. Animal studies have proven the drug's effectiveness in improving size and strength of atrophied muscles, but have shown no effect on normal muscles.

Marijuana. The effects produced by the use of marijuana would most likely impair most athletic performances. Chronic use of the drug may lead to *antimotivational syndrome*, characterized by apathy, impaired judgement and loss of ambition.

Anecdotal reports by athletes have revealed limited use of the drug to produce relaxation prior to competition.

Narcotic analgesics. Although not considered ergogenic drugs, narcotic analgesics have a potential for misuse in athletics. These drugs have been used to treat an injury, which allows an athlete to participate while risking further injury. For this reason, the IOC has banned narcotic analgesics, but allows the use of aspirin and nonsteroidal agents for the treatment of less serious pain. The NCAA does not ban the use of narcotic analgesics. Heroin, however, is banned by the NCAA and some other sports organizations under the classification of a "street drug."

Tobacco. The use of tobacco products in athletics primarily involves the use of smokeless tobacco. Smokeless tobacco comes in two forms—snuff and chewing tobacco. Snuff is a finely shredded product which is placed between the lower lip or cheek and gums. Chewing tobacco is more coarse and is placed in the cheek pouch. Smokeless tobacco seems to be a popular ritual associated with baseball. Surveys of minor league players have shown that nearly 40 percent of players use smokeless tobacco products. When examined, the players who do had higher rates of leukoplakia and other periodontal disease than those not using these products.

Nicotine, the active ingredient, is used by athletes for a number of reasons, some of which are contradictory. Stimulatory and calming effects, appetite control and uses unrelated to performance are most frequently mentioned. Nicotine has not been shown to improve reaction time or aerobic power. Following a dose of nicotine, the swimming mechanics of rats was improved, but endurance was decreased. This may be due to nicotine's negative effect on oxygen consumption.

No athletic organizations ban the use of tobacco.

Miscellaneous drugs

A number of other drugs may be used by athletes as ergogenic aids. The complete list of substances is beyond the scope of this review. However, a few of these drugs are used by such a large number of athletes, or are commonly used for specific sports that they warrant mentioning.

Beta-blocking agents adversely affect physiologic performance as measured by endurance and oxygen consumption. Furthermore, the drugs appear to have no affect on muscular strength. These drugs can, however, reduce tremor and improve hand and arm steadiness. This can dramatically aid athletes in precision shooting events. Beta-blockers are banned in shooting events by the IOC and NCAA.

Diuretics have already been discussed as a means of avoiding detection by urine drug tests, but these drugs are also used by athletes participating in weight-specific events. Boxers and wrestlers looking for a rapid weight loss may contemplate the use of diuretics.

Phenylpropanolamine and **ephedrine** are nonprescription drugs which are structurally related to amphetamines. Despite this similarity, these drugs don't possess any ergogenic benefit. The potential for misuse by athletes is more likely related to the easy availability rather than effects on performance. Sympathomimetic amines are considered to be banned substances by the IOC and NCAA.

Albuterol, a selective beta^2 adrenergic agonist, has been shown to improve pulmonary function in elite athletes who are not asthmatics. When given by inhalation, the drug increases time until exhaustion. Currently, beta agonists can be used in IOC and NCAA competition, if prescribed by a physician for a medical condition.

A plethora of nutritional products exist on the market today, many with the claim of improved health or performance. Vitamin and mineral supplementation is very common among athletes. However, in controlled trials, these supplements have never been shown to produce measurable increases in athletic performance.

Chromium is one mineral supplement that is being heavily promoted to athletes as a safe alternative to anabolic steroids. The proposed mechanism of action is an increase in the uptake of amino acids by muscle cells. These claims are based on several studies where many other variables such as diet and other ergogenic drug use were not controlled. Although chromium appears to be nontoxic, the use of the product may signal an athlete at risk for progression to more potent ergogenic drug use, such as anabolic steroids.

Protein supplements. A common belief among athletes wishing to gain muscle mass is that large doses of protein are essential. Dietary protein is often supplemented with protein powders and individual amino acids. This protein load has not been shown to speed muscle gain, and is probably excessive. The additional protein is converted to fat, a metabolic step which requires water. This can result in dehydration, which, for a competing athlete can be more detrimental than being outweighed by an opponent.

Drug use control

Both amateur and professional organizations have designed drug use control programs based on urine testing. While the IOC supports competitive fairness as the primary reason for conducting drug use testing, the NCAA is concerned with the health and welfare of the athletes as well. In contrast, professional athletics is more concerned with protecting public image. Some major problems exist with the current format of drug use control.

- Detection is easy to avoid since testing is conducted at specific events.
- Only a minority of athletes are actually tested.
- Even though less than effective, these programs are very expensive.

Opportunities for Rx'ers

These programs have had limited success because they only focus on detection and enforcement. A complete program should also address drug distribution, education and research. As drug use control experts, pharmacists can play a valuable role in meeting these deficiencies.

Conclusion

An essential goal of athletics is the pursuit of physical excellence. This is embodied in the Olympic motto of "higher, faster, stronger." Unfortunately, athletics is also becoming a contest in pharmacology. The use of drugs in athletics is relatively commonplace in a variety of sports at virtually all levels of competition.

The substances use by athletes include both ergogenic and social drugs. Sound scientific studies on the performance-enhancing properties of drugs are few in number. Future research into ergogenic properties may be difficult, due to ethical considerations. Even if such studies could be performed and the conclusions were that drugs do *not* improve athletic performance, athletes may still use drugs based on anecdotal evidence.

To discourage drug use in athletics, drug control programs are important, but these programs must involve more than just drug testing. Those involved in athletics should be educated about the health risks associated with drug abuse. Pharmacists are uniquely qualified to assist in a variety of drug use control efforts.

For bibliography information, please contact the editor.

CS150-2

The newspaper of drug store retailing

March 2, 1992

DRUG STORE NEWS

Vol. 14 No. 5

A Lebhar-Friedman publication

Osco finetunes its downsized prototype

American Drug Stores is expanding a downsized store prototype developed for its Osco division and first introduced last fall. The new format is smaller and more tightly focused on core drug categories in line with the continuing shift in U.S. chain drug retailing away from general merchandise categories.

SALT LAKE CITY — American Drug Stores is set to roll with a new, smaller store format for Osco Drugs that puts greater emphasis on pharmacy and core drug store merchandise.

At 14,000 to 15,000 square feet, the new format is significantly smaller than Osco's standard footprint of 20,000 square feet and up. It cuts down on promotional and general merchandise in favor of a tighter mix of drug store basics, particularly in HBA items anchored by a prominent pharmacy department.

Osco's new look debuted last fall in Kansas City with a single new store. Since then, the new prototype has been opened in four locations in Phoenix. Dubbed American's "New Vision" drug store by its proponents, it will serve as the basis for the chain's new-store expansion in the 1990s, said Cal Drexel, head of investor relations for parent company American Stores. It may also influence the future direction

See **American** *page 25*

Revco bid stands alone after Eckerd pulls out

Eckerd has pulled out of the bidding for Revco D.S., deeming the costs and delays of the effort too high to continue. The surprise withdrawal could signal clear sailing ahead in Revco's struggle to emerge from bankruptcy as an independent company.

By James Frederick

CLEARWATER, Fla. — In the latest and perhaps final surprise twist in the protracted struggle for control of Revco D.S., Jack Eckerd Corp. has withdrawn its bid for the bankrupt chain. Eckerd's unexpected decision to table its year-long effort to acquire the chain leaves the field open for Revco to emerge from Chapter 11 under its own plan of reorganization—perhaps as early as this spring.

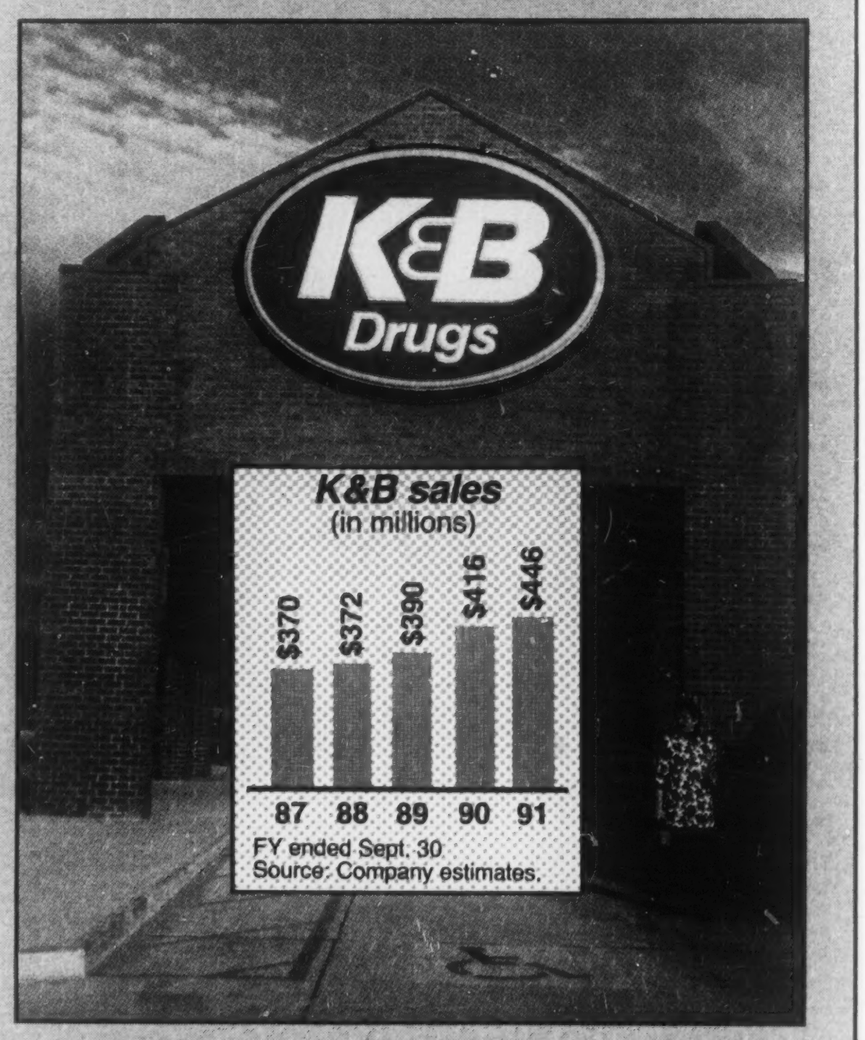
That effort gained momentum Feb. 14 with the approval in U.S. Bankruptcy Court of Revco's reorganization plan and disclosure statement, and its release to creditors for a vote. The voting deadline is March 6, with a court confirmation hearing on Revco's plan set for March 11.

The two drug chains jointly announced in mid-February that Eckerd "will postpone indefinitely consideration of its plan of reorganization for Revco" to "permit an amended Revco plan to proceed with confirmation in the Bankruptcy Court without incurring significant additional expense and delay."

The move could hasten the end of Revco's three-and-a-half-year bankruptcy ordeal, which has consumed the attention of company managers and more than $60 million in legal fees.

See **Revco** *page 25*

K&B positions for growth with prototype debut



K&B sets its prototype for the '90s.
See coverage of new store format page 3.

LATE NEWS

•BENTONVILLE, Ark. — Wal-Mart will add another 160 discount stores, many with pharmacies, in the fiscal year that began Feb. 1. The expansion will push the chain's logo into three new western states—Idaho, Montana and Oregon—and boost store total to roughly 1,880 units nationwide.

•PONTIAC, Mich. — Perry Drug Stores has acquired the Wonder Drug Store in Clarkston, Mich., adding a third unit in that market. The 5,000-square-foot site will be doubled in size and converted in the near future—giving Perry 208 drug stores in the state.

•GREENVILLE, S.C. — Revco D.S. has picked this stronghold market as the site of its next Health and Beauty Expo April 24-25.

FEATURES

Beverages chug along with sales

Bargain-hunting and health-conscious consumers push beverage sales in products ranging from soda to fruit drinks to beer. **Page 9.**

New products set pace in hair, skin

How much skin and hair sales are drug stores grabbing? What are the hot products? *DrSN's* exclusive study tells all. **Page 13.**

NACDS small chain executives swapped strategies and ideas at the NACDS Conference in New Orleans. See full coverage page 6.

BETHESDA MD 20814
4520 E W HWY
CONGRESSL INFO SVC
ATTN: SRI
01245ST OR 9213 005/01945
3-DIGIT 208
****

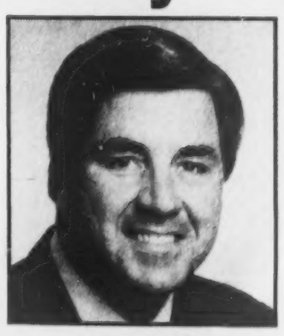
SECOND CLASS

Yingling sees '92 Thrifty recovery

By rolling back mistakes of recent years and with new focus on the neighborhood consumer, Thrifty chairman and ceo William Yingling predicts turnaround by fourth quarter 1992 and the chain's eventual sale by parent Pacific Enterprises.

By Allene Symons

LOS ANGELES — "Our focus—the absolute imperative—is on turning around the company," Thrifty Corp. chairman and ceo William Yingling told *Drug Store News* in the wake of disclosure by parent Pacific Enterprises that it will sell five retail units but retain the Thrifty Drug chain for now.



Yingling

"Everyone understands that Thrifty is not for sale presently," said Yingling, "but Pacific Enterprises has stated its intention to focus on the utility business," which indicates the eventual sale of Thrifty Drug. When asked whether this might trigger a management-led buyout, Yingling responded: "I wouldn't rule anything out."

In a mid-February meeting with 400 suppliers, Yingling detailed plans to refocus the drug store chain. "We talked about change from a unified footprint to one that allows for flexibility in the way we market, changes in the

See **Thrifty** *page 25*

NEWS IN BRIEF

Philips, Phar-Mor file suit, counterclaim

SOMERSET, N.J.—Philips Lighting Company has filed suit against Phar-Mor, charging that the chain wrongfully terminated and breached a product supply and promotion agreement. The manufacturer is seeking monetary damages for unpaid goods and the return of promotional allowances which it paid to Phar-Mor.

Phar-Mor, in a statement, said the complaint was "totally without merit," adding that the contract was canceled and replaced by one with General Electric because "Philips was constantly out-of-stock and unable to fulfill its supply obligation."

Steven Goldmacher, director of public relations for Philips, said since the matter was in litigation, Philips believed that any discussion of the suit would be inappropriate.

Phar-Mor has filed a counterclaim against Philips for damages the company claims it suffered as a result of Philips' breach of contract.

Chains take shine to Little Silver

LITTLE SILVER, N.J. — The successful opening of a 9,500-square-foot CVS here in late January may soon be marred by the possibility of Walgreens moving to an adjacent site.

"On the first day of business, the district manager told me he'd never seen such a hot opening," said Ben Lucarelli of Northshore Properties, the commercial real estate brokers who rent to CVS. Lucarelli said he expects the new site to generate sales of $5 million a year. The A&P across the street, he said, has sales of $15 million a year.

The new wrinkle is that Walgreens has expressed interest in a 14,000-square-foot site in an adjacent property.

Pharmasave shifts territorial heads

LANGLEY, BRITISH COLUMBIA — There's been a shift in management at Pharmasave Drugs Ltd. Don Kyte, regional general manager of Pharmasave Atlantic for the past four years, has decided to purchase a Pharmasave location in Dartmouth, Nova Scotia.

Tom Smith, formerly regional general manager of Pharmasave Central in Manitoba, will replace Kyte as the manager of the 42-store region.

David Oberding will take over Smith's territory as regional general manager of Pharmasave Central, which includes Manitoba, Saskatchewan and the northwestern area of Ontario. He will also be responsible for coordinating various Pharmasave marketing programs.

Oberding was formerly district manager of MacLeod/Stedman, a concern which worked with independent retailers to enhance sales and profitability.

Pharmacy relief for Calif. flood victims

LOS ANGELES — The Pacific storm that pounded Southern California, leaving behind six dead and flood damage in multi-millions of dollars, brought out the good samaritan in drug stores near one of the hardest hit communities.

North of Los Angeles, in Ventura, where an entire mobile home community was devastated, Thrifty Drug rallied to help its pharmacy patients, most of whom lost their homes and sought refuge in emergency shelters.

"The trailer park is a half mile away," said pharmacist Richard Ando. "At least 10 of our patients lived there, so the company has authorized us to give them free medication for the next couple of weeks." Rogers Pharmacy in Ventura also offered its patients replacement of their medications at no charge, said pharmacist Jim Leftwich.

IN THIS ISSUE

CONSUMABLES

Beverage Sales Grow 9-10

HEALTH AND BEAUTY AIDS

Skin/Hair Care 13
Beauty Beat 22

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Planning Your Shelves 17
Product Updates 23
Finance 26

Cut costs, manufacturers told at NACDS Distribution

By Barbara White

ORLANDO — The message to suppliers rang clear at the NACDS Distribution/Logistics Conference, held here recently: manufacturers helping retailers slash costs will build their business. Vendors whose programs and service records lag behind will find themselves in a so-called second tier of providers.

"Wal-Mart has made demands as to what they are looking for from manufacturers," said Curtis Neel Jr., vp of distribution for Jack Eckerd Corporation. "They parted the waters so that we have an easier time making those demands."

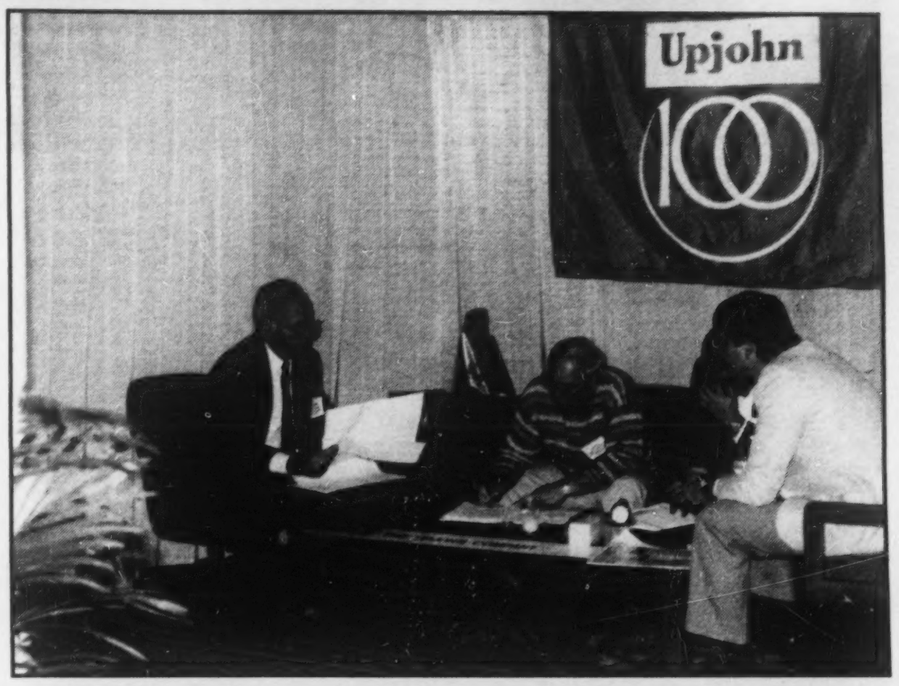
Said Joseph Martha, an Andersen Consulting partner, who spoke at the third annual conference: "Retailers are getting tougher on suppliers. Their margins are too tight; sales help is expensive. They're counting on suppliers to reduce costs in other areas."

Some manufacturers are already aggressive in forging alliances. "Procter & Gamble and Kimberly-Clark spend a lot of time thinking about ways to improve service. They come to us with ideas," said Gerald Cox, vp of the distribution center at Thrift Drug.

On-time orders

Cox said that since Thrift isn't yet using EDI, the chain is FAXing orders to P&G to speed up the delivery cycle. That change was suggested by the manufacturer as a way to fill in technology gaps.

Chains' individual needs may differ, but the big issues are similar industry-wide. Dependable shipments that are on time and have short, consistent cycles can reduce their inventory costs. Reliable information, including EDI links, can also add to savings through better management of assets.



At Upjohn booth (l to r): Frank Gable, vp-sales, Harco; Jack Marcacci, director-southeast region, and James Tesser, logistics service manager, both of Upjohn; and Terry Weber, distribution director, Harco.

"Information can help us to control inventory better," said John Brown, senior vp of Walgreens. "When we know where everything stands in the distribution pipeline, we can do a better job scheduling merchandise [entering] the store."

Retailers want manufacturers to aim for orders that are so reliable, they don't need to be verified on receipt—a move they say will reduce receiving costs by 50 percent.

"It's cumbersome to check in merchandise," said Cox. "We want manufacturers to do a better job on their end so that we can just scan the boxes instead of counting pieces."

Ron Peterson, executive vp-marketing and merchandising, Jack Eckerd Corp., said manufacturers must customize programs.

The ability to do so requires a high level of trust between retailer and manufacturer and a good track record.

"Our first concern is that orders are on time and are complete, so we're working with our customers to find ways to make that happen consistently," said a P&G spokesperson. "We're also very concerned about damage, so we're trying to identify where it's occuring in the system and are beginning to plan around that."

Eveready and Johnson & Johnson are just two examples of vendors with a mission to reduce distribution costs. "We have made some drastic changes in our systems and management so that we can better serve our customers," said Dick Pocek, director of logistics at Eveready Battery Company, Inc.

At Johnson & Johnson, the quest is for the perfect order, according to Robert Edwards, director of logistics at Johnson & Johnson Consumer Products. "When time and quantity problems no longer need to be solved, we can enter the next level of working with retailers to help them sell the product," said Edwards.

Brooks bids Jennings adieu as he enters food market

Nearly 100 people attended John Jennings' (left) farewell party from Brooks Drug, Inc. held at a country club in Lincoln, R.I. on January 3. Jennings, who was with Brooks since 1986, left to become president of Volume Inc., a Sharon, Mass.-based food diverter. Brooks' David Morocco (right), replaced Jennings as vp-marketing.

Small chain show grows with alliance needs

IN THE MARKET
BRUCE BUCKLEY

The little guys on the block have been getting some extra attention from the National Association of Chain Drug Stores.

The association's Small Chain Conference has always been a focal point for the special needs of small to mid-sized retailers, but this year the conference seemed to reach a new threshold of importance.

The growth in the show was impressive. Chain attendance was up 32 percent from last year, while the number of supplier companies rose 20 percent.

The business programs honed in on the particular needs of these smaller operators, whose business is so dependent on pharmacy issues, including the demand for more counseling services at the same time that the third-party buck is being squeezed.

Alliance-building was also given more prominence. The scheduled retailer-vendor meetings may not have worked for everyone, but they represented a key effort to bring a partnership approach down to the level of smaller retailers, who have typically felt neglected by big vendors.

In a nutshell: this year's Small Chain Conference seemed anything but small.

* * *

On Wednesday we drove from New Orleans, where the Small Chain Conference had been held, to Baton Rouge to look at one of K&B's new prototype stores. The attractive design is described in more detail on page 3, but I'd like to focus in on the new pharmacy department—a radical departure from the K&B pharmacies we saw on the NACDS store tour the previous day. Pharmacy is at the heart of K&B's new, more open design.

In describing it, the words that come to mind are accessible and friendly. Patients have a comfortable place to wait for prescriptions. Contact at the counter between patients and pharmacists or clerks is eyeball-to-eyeball. The drug wall is conveniently adjacent to the department. The vitamin section that fronts part of the department is low-slung so that the pharmacists are completely visible. K&B is even considering a second opening in the middle of the vitamin section to add another measure of privacy for patient consultations.

The new design rates a big A-plus.

* * *

Pass the mustard.

If I'm going to eat my hat, at least I want some flavoring.

The occasion for this mad-hatter meal was my recent and ill-considered prediction that Eckerd would prevail in the battle for Revco. I failed to see that a determined Revco management would reward bettors of what I called the "sentimental money" by hanging tough and ultimately making the game too expensive for Eckerd, tempered by years of close-to-vest cash management.

If Revco management does, in the end, prevail and emerge free of bankruptcy court restraints, there will be benefits, not the least of which is competition. And, from a purely selfish point of view, it's more interesting to report on the exploits of two smaller and very different operations than one huge one.

Anyway, if you're interested in watching me make a meal of my Drug Store News cap, forget it. On this occasion I dine alone.

APhA looks to terminate Robo-Rx'ers

WASHINGTON PERSPECTIVE
KEN RANKIN

Like the displaced factory workers in Kurt Vonnegut's *Player Piano*, pharmacists have long been haunted by the fear that technology may someday render them "redundant."

Here's pharmacy's worst nightmare: computer-driven, in-store vending machines spitting out unit-of-use prescription drugs, complete with cookbook "consultations" via government-mandated patient package inserts.

Just slip the prescription form in the slot along with your "smart" credit card or third-party ID, and out pops the appropriate medicine. There's not even a clerk in sight, much less a pharmacist.

That spectre has been scaring pharmacists unnecessarily for past 30 years. Now, however, the bogeyman might really be just behind the next door.

Technology has reached the point where an automated dispensing function could indeed be designed, and there are people here in Washington who wouldn't hesitate to replace the corner pharmacist with HAL the computer.

The penny-pinchers at the Health Care Financing Administration, for example, are always on the lookout for new ways to slash Medicaid prescription drug costs.

Eliminating the expense of deploying warm-blooded pharmacists behind tens of thousands of drug store pharmacy counters would enable HCFA (and other third-party administrators) to justify big time cuts in pharmacy dispensing fees.

And since the computerized pharmacy vending machines could be programmed to dispense only the absolute lowest price generic to third-party patients, HCFA wouldn't have to spend time bullying pharmacists to select the cheapest possible drug.

Meanwhile, HCFA's sister bureaucrats at the Food and Drug Administration are exploring technological methods of circumventing pharmacists and providing pre-packaged prescription drug information direct to consumers. Their scheme is to resurrect PPIs by requiring electronic dissemination of patient drug information sheets through pharmacy computers.

In addition, the FDA is considering new regulatory restrictions on compounding, the one pharmacy department function that requires a human pharmacist on premises.

Not surprisingly, these developments are causing discomfort among the defenders of organized pharmacy. The agenda for debate at APhA's upcoming House of Delegates meeting includes proposed new policies to:

- oppose the "exclusive use" of unit-of-use prescription packaging;
- declare that "new health technologies should not replace the pharmacist-patient relationship;"
- reaffirm "the prerogative of the pharmacist" to engage in drug compounding; and
- recognize that pharmacists provide valuable "cognitive services" separate from the dispensing of drug products.

Pharmacy's professional centurians are not the only ones who should be concerned about these issues. Everyone associated with the drug store industry has a stake in ensuring that pharmacists are not rendered technologically obsolete.

If prescriptions can be filled by a vending machine in a drug store, there's no reason why automated pharmaceutical dispensers couldn't be placed in post offices, hotel lobbies, race tracks or a hundred other locations.

DRUG STORE NEWS

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Assistant **Carine Dabady**

Pharmacy Editor **Dianne Tharp, R.Ph.**
(Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Nat'l Accounts Manager **Larry Krongold**
N.Y. Area Manager **John Kenlon**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Office Manager: **Angela Ftaras**
Chicago 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Office Manager: **Beverly Wendtland**
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, (213) 464-8321
Office Manager: **Maureen Jackson**

Group Circulation Director
Matthew J. Clancy, Sr.
(3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746)
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr.
Debbie Rothenberg
Business Manager **Joel Safir**

Board of Advisers

Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAlear Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Finance **James Granato**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

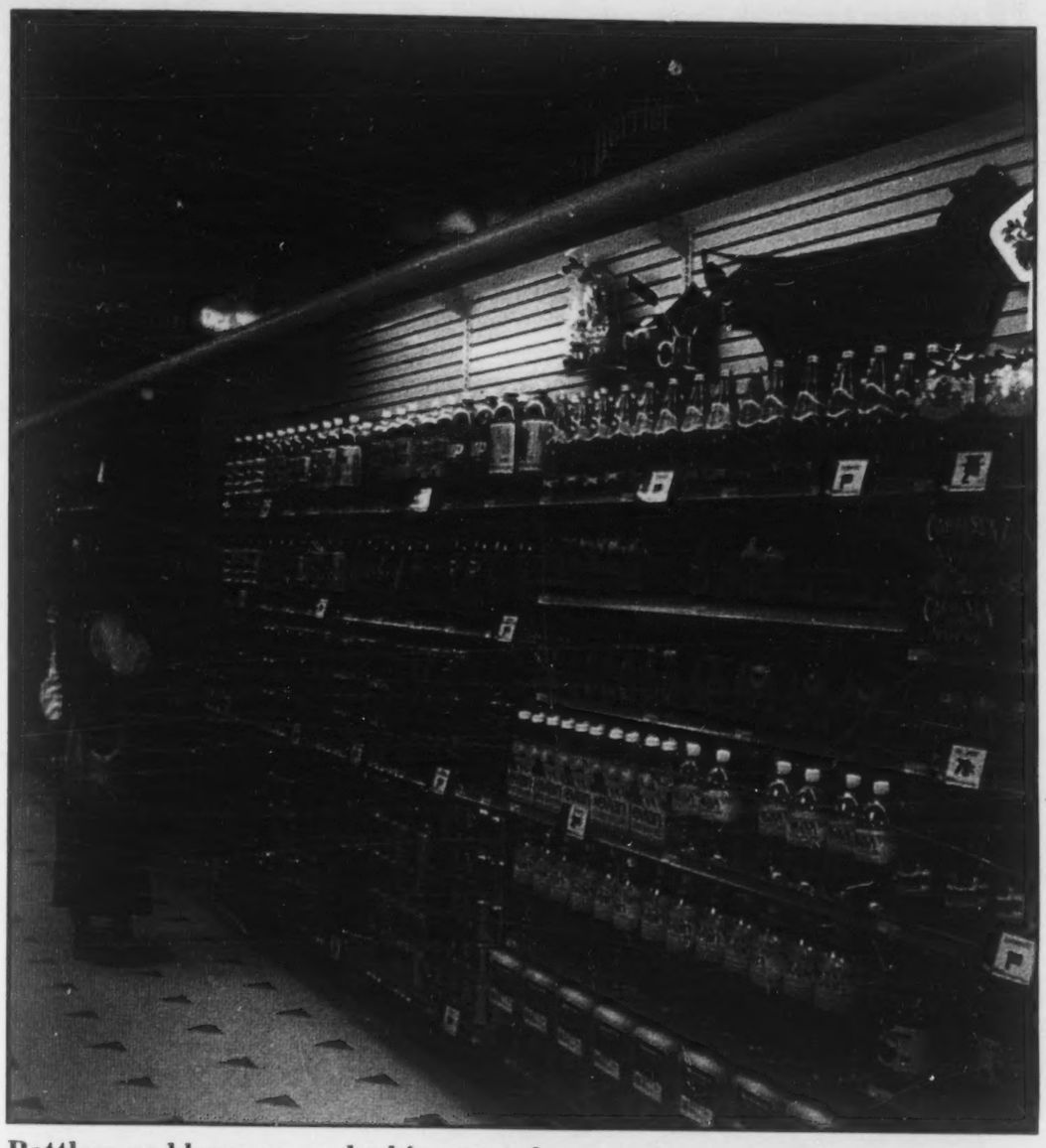
Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

U.S. beverage consumption trends (Gallons in billions/share)	Est. 1991	% Mkt.	1990	% Mkt.
Soft drinks	47.3	25.9	47.5	26.0
Coffee	26.5	14.5	26.4	14.5
Beer	23.1	12.7	24.0	13.2
Milk	19.6	10.7	19.6	10.7
Bottled water	9.9	5.4	9.0	4.9
Tea	6.8	3.7	7.0	3.8
Juices	6.4	3.5	6.2	3.4
Powdered drinks	5.6	3.1	5.7	3.1
Wine	1.9	1.0	2.0	1.1
Distilled spirits	1.5	0.8	1.6	0.9
Imputed water consumption	33.9	18.6	33.5	18.4

Source: Wheat First Securities.



Bottlers and brewers are looking past the recession to drug stores as a lucrative growth area.

Beverages chug along with steady sales, growth

Bargain-hunting and health-conscious consumers push beverage sales in products ranging from soda and fruit drinks to beer, while retailers dig for margin to offset loss leaders.

From single servings up to 24-pack "suitcases," the beverage category is showing steady sales and modest growth in many chain drug stores. Whether the assortment covers cognac to Gatorade or only soda to juice, beverage displays—especially on promotion—add appeal for the convenience shopper.

Analyst John C. Maxwell of Richmond, Va.-based Wheat First says the entire beverage industry was only up around 1.6 percent in 1991, a figure which includes both on-premises and off-premises product movement. Although the recession has impacted beverage sales overall, many bottlers and brewers are looking to drug stores as one of the beverage industry's potential growth areas.

Since 1988 at Walgreens, the beverage category has contributed a steady 12 percent of sales and delivered both unit and dollar growth, performing on a par with Walgreens' expansion. "We feel it's an important part of our merchandise mix. People are looking for consumable items in our drug stores and that's one way we can provide convenience and draw customers into our stores," says spokesperson Mary Ellen Thielen.

Soda accounts for the lion's share of beverage sales in most chain drug stores, but in percentage increases soda isn't growing as fast as other nonalcohol drink categories. Soda pulled a 1 percent unit (gallon) increase in 1991, slightly outpaced by bottled water with a 2.3 percent increase. Water took a dive compared with 1990, however, when it was up 9.4 percent over 1989. As Wheat First's Maxwell observes of frugal consumers: "They're turning on the tap water."

Beer segment market share	1991	1990
Premium	35.2%	36.1%
Premium low cal	24.6	23.6
Popular	11.7	11.8
Economy	8.3	9.1
Low cal popular	6.7	5.7
Imported	4.1	4.5
Malt	3.1	3.1
Dry	2.4	2.1
Super Premium	2.2	2.6
Nonalcoholic	1.1	0.8
Domestic ale	0.7	0.7
Micro brewery	0.3	0.3

Source: Beer Marketers Insight, West Nyack, N.Y.

The fruit drink category showed the highest percentage of growth in all outlets, with a 9.7 percent increase over 1990 (100 percent juice was up 5.2 percent), according to Hellen Berry, vp-marketing for Manhattan-based Beverage Marketing Corp.

Some of the fruit beverage growth last year resulted from high citrus prices in 1990, which shifted sales from OJ to blended drinks. But the fruit-drink increase is mainly fueled by health-conscious consumers and new product. "There is a tremendous amount of activity in blends, with a lot of new and exotic blends like mango, kiwi, passion fruit," says Berry. An example is fruit blend Tropicana Twister, of which Tropicana spokesperson Kellee Johnson says, "It has been phenomenally successful in the past year."

Some drug chains treat juice and fruit drinks as a promotional rather than an everyday item. Gordon O'Reilly, vp-merchandising for Seattle-based Bartell Drug, cites Ocean Spray 64 oz. as the stores' most successful juice promotion.

The expanding fruit drink category appears to have a future, judging by beverage industry research. The big bottlers, too, are reaching for growth through other kinds of beverages besides carbonated sodas (the two big bottlers have new programs for single-serve tea, Coke in a joint venture with Nestea and Pepsi in a deal with Lipton). Pepsi spokesperson Gary Gerdemann says fruit drinks "are a big thing, both in new product and by making it as available as a can of Pepsi," which the bottler plans to do through a distribution deal with Ocean Spray, focusing on single-serve cans.

Water to go

More consumers may be turning on the tap, but bottled and flavored water is still showing growth. At Troy, Mich.-based Arbor Drugs, spokesman Frederick Marx notes that Clearly Canadian and Evian lead the pack in the water category, "which continues to be a standout, particularly in sparkling and natural." Arbor has increased space dedication and ad activity because the category is trending so well, says Marx.

Continued on page 10

Brewers tap drug stores for heady growth

Beer sales are rising faster in drug chains than in any other trade class, according to Mark Danner, vp of national account sales for Anheuser-Busch. "Our drug chain business is up this year, although overall business is fairly flat," agrees Rod Takakawa, regional national accounts manager for Coors.

Untapped markets

Supermarkets hold the lead in volume, but from the viewpoint of untapped potential, drug stores are racking up the greatest percentage gains year to year. Not all states allow beer to be sold in drug stores, and in some states stores are legally barred from selling cold brew. Nonetheless, Danner cites a recent study which shows that in drug chains nationally, 53 percent of beer is rung up cold, while 47 percent is a warm carry-away.

As a promotional category for Drug Barn in San Francisco, which began carrying beer six months ago, the category proved to be a hit. "We're doing tremendously with beer," says buyer Brian Black, who explains that beer is a better traffic-builder than a money-maker at this discount outlet.

Despite increases in these segments, beer was down 2 percent (product shipped) in 1991, according to John C. Maxwell of Wheat First Securities in Richmond, Va., who explains that the slide was caused by the recession and by an earlier inventory buildup, as retailers and wholesalers

Continued on page 10

Beverages chug along at chains

Continued from page 9

Analyst Maxwell concurs that the Canadian product (natural plus six flavors) with its striking bottle design "is doing well." Clearly Canadian's chief operations officer Glen Foreman notes that around 6-8 percent of its sales are in drug store chains.

Both fruit and water drinks fall loosely into the vague "new age" or alternative beverage category. Packaged Facts, a New York-based market research company, defines new age beverages as "flavor essence waters, juice sparklers and gourmet and natural sodas," according to president David A. Weiss. Coke's 25-year-old grapefruit drink Fresca was recently enhanced with new packaging and graphics, positioned as an upscale, low-calorie alternative to waters.

Soda deals

Despite the modest uptrend in fruit drinks and water beverages, soda and traditional colas still generate high-volume beverage sales for chain drug stores, driven by brand and promotion.

Marx at Arbor Drug observes that "soft drinks just keep on growing. Every promotional vehicle features a soft drink, and it works." Similarly, Bartell's O'Reilly says, "We promote it heavily in our ads at very low prices and build end displays." At Snyder's Drug Stores in Minnesota, vp-marketing Philip Perkins says soda is less a traffic builder than a price-image item.

Discounter Drug Barn in San Francisco trims the SKUs, too. Buyer Brian Black says, "We do a tremendous job with sodas and we only carry the tall pack and 2 liter." With cola multipacks and 2 liters moving out on promotion, the more profitable per-unit single serves offers a chance to make up margin.

Sports nutritionals

With its grasp of around 90 percent of the sports beverage market, Gatorade is clearly the leader in the sports beverage category, despite slight inroads by other products. Beverage analyst John Maxwell expects Gatorade to show growth every year. Despite its media visibility, the retailers surveyed by *Drug Store News* often sell sports nutritionals solely on promotion.

Beer tapped at chains

Continued from page 9

stocked up to beat a tax-increase deadline.

A staple or just a sampling?

Switching from sell-in to sell-through: splashy beer promotion works well in many drug store chains, while some consider it a core category and others opt for a low profile. Troy, Michigan-based Arbor Drugs applies an "urban strategy" for its beer and wine assortment, says Frederick Marx, who notes that "beer is a staple; it's expected." Drug Barn features beer in its monthly circulars and features it off-shelf in massed displays.

On the other hand, Minnetonka, Minn.-based Snyder's Drug carries beer in only a few of its stores, as does Seattle-based Bartell Drug, whose vp-merchandising Gordon O'Reilly says of wine and beer: "We put them in and thought we'd try it." At Deerfield, Ill.-based Walgreens, the assortment ranges from a full liquor department to beer and wine only, or in some cases (usually where prevented by law), no liquor department at all.

Newer categories

What's hot among the cool ones? Comparing the dozen beer segments, premium low calorie, low cal popular, dry and nonalcoholic segments showed increases in 1991. The low cal and nonalcoholic segments reflect increasing consumer health concerns.

Miller's Genuine Draft Light grew at "a double digit rate" last year, says Miller spokesperson Ron Richards. The nonalcohol category "has had a particularly robust movement from 1990 to 1991," says Paul Gillette, editor of *California Beverage Hotline*. As one brewer points out, the anti-drunk driving movement prods the nonalcohol category, and more cautious consumers are switching to avoid DUIs.

The dry category is more elusive. Takakawa describes Coors Dry and its new Keystone (popular) Dry: "It's a perception, like dry wine. It's difficult to quantify, but people know when they have a dry wine or beer."

SAVE SPACE

SAVE MONEY
FAST Frontrunner Label Holders convert existing hooks into scanner hooks without losing space. Save up to 20% of sales area over scanner hooks. Easy installation without removing hook or product. Styles to fit any hook or product. Also available with built-in inventory saver tab.
• replaces rubber washers • aids inventory control
• keeps product faced and fronted
Call or write now for catalog.

FAST INDUSTRIES INC.
"Label Holders designed with the Retailer in mind."
WE DO CUSTOM DESIGNS
6850 N.W. 12th Avenue, Fort Lauderdale, Florida 33309
(305) 979-3278 FAX (305) 973-4064

See us at SPECS, Booths 103 &105

Flents
SINCE 1927

FOR RELIEF FROM SWIMMER'S EAR

YOUR CUSTOMERS' CHOICE!

Flents PRODUCTS CO., INC.
P.O. Box 2109, Norwalk, CT 06852 • Tel (203) 866-2581 • Fax (203) 854-9322

Profit Centers For The '90s
The Recognized Leader In
RAINWEAR CENTERS®

▶ FAST TURNS ▶ NO MARK DOWNS
▶ NO CLOSEOUTS
▶ CONSISTENT, BASIC SELLERS.
Programs to suit any merchandising situation.

Tjay®
J Jay Products Co., Inc.
2833 Spring Grove Avenue
Cincinnati, Ohio 45225
Phone: 513-681-6801
Fax: 513-681-8168
1-800-783-5529
Rainwear Products For The Entire Family

The **sun** is the **major cause of** cold sores called lip **sun blisters.**
Herpecin-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

$$ OVER ONE BILLION $$
WORTH OF BUSINESSES FOR SALE BY OWNERS
MAJOR MANUFACTURING TO SMALL RETAIL SHOPS
No Brokerage Fees
NATIONWIDE
To Buy or Sell
Call Toll Free 1-800-999-SALE
GREAT WESTERN BUSINESS SERVICES, INC.

Hot new items set pace in hair, skin care

To identify some of the fastest growing new HBA items, Drug Store News *asked Towne-Oller and Associates to generate a movement ranking based on the average per-month dollar volume of items that were added to the Towne-Oller chain drug audit between January and June 1991.*

Each item in the ranking had at least six months activity in the chain drug audit as of December 1991.

We believe these rankings can be an invaluable tool for buyers looking to spot "hot items" among the thousands of annual new launches. We also think readers will be able to spot segment trends faster by scanning the charts.

For example, this is the first year that hair care buyers, interviewed by Drug Store News *for a category merchandising story, singled out the Russ Kalvin Alternative Salon Professional shampoos and styling aids as hot products.*

Some lesser known lines have a chance to shine here as well. Look at how well Freeman is doing with some formulas from their newest line Pelisima, and don't overlook the presence of others such as Queen Helene Placenta Shampoo or Jheri Redding Tropics Strawberry Formula.

And while dozens of copycat anti-frizz products are now hitting the market, the first anti-frizz mass brand, John Frieda's Frizz-Ease, held the No. 1 ranked new product launch in the styling category, Frizz-Ease Serum, 1.69 oz.

Towne-Oller and Associates is a market research firm headquartered in New York.

Top 25 new items in styling aids*

Rank	Item	Months of activity
1.	Frizz-Ease Serum, 1.6 oz.	8
2.	Aussie Mega Styling Spray 14+14 Twin	10
3.	Aussie Sprunch Non-Aerosol 12+12 Twin	10
4.	L'Oréal Studio Twirling Curl, 8 oz.	11
5.	Aussie Aerosol Instant Freeze, 7 oz.	8
6.	Vital Care Mega Gel, 8+8 oz.	12
7.	LA Looks Mega Spritz, 7 oz.	10
8.	LA Looks Curling Gel, 7 oz.	11
9.	Citré Shine Liquid Reflector Gloss, SPF 8	12
10.	LA Looks Extra Super Hold Spritzer, 10 oz.	7
11.	Halsa Spray Styling Gel Maximum, 6 oz.	10
12.	Halsa Spritz Maximum Scented, 8 oz.	10
13.	LA Looks Mega Mousse, 7 oz.	8
14.	Halsa Styling Gel Maximum, 4 oz.	10
15.	LA Looks Mega Styling Spray, 7 oz.	7
16.	Dep Working Spritzer #1, 7 oz.	9
17.	Queen Helene Placenta Styling Gel, 16 oz.	12
18.	Freeman Pelisima Volumizing Gel, 5 oz.	6
19.	Aqua Net Shape & Shine Gel Spray, 7 oz.	12
20.	Halsa Spritz Maximum Unscented, 8 oz.	10
21.	Freeman Pelisima Spritzer, 7.6 oz.	6
22.	Freeman Pelisima Spray Gel, 7.6 oz.	6
23.	Hard Rock Spray-On-Gel, 8 oz.	10
24.	Wella Shock Waves Spritz Aerosol, 10 oz.	12
25.	Stiff Stuff Pump Spray, 12 oz.	12

Source: Towne-Oller.
*By average monthly chain drug store dollar volume for products introduced into the drug/food trade classes during the first six months of 1991.

Top 25 new items in face creams and lotions*

Rank	Item	Months of activity
1.	Sudden Change Protein Skin Smoother, 5 oz.	12
2.	Olay Ultra Violet Beauty Fluid Fragrance-Free, 3.5 oz.	10
3.	Olay Ultra Violet Beauty Fluid, 3.5 oz.	10
4.	Olay Ultra Violet Beauty Fluid, 5.25 oz.	10
5.	Olay Ultra Moisture Replenishment Cream, 1.7 oz.	10
6.	Olay Ultra Violet Beauty Fluid Fragrance-Free, 5.25 oz.	10
7.	Olay Ultra Moisture Replenishment Unscented, 1.7 oz.	10
8.	Purpose Gentle Cleansing Wash, 6 oz.	8
9.	Revlon Almond Mask/Walnut Scrub	12
10.	Rejuvia Clay Mask, 4.25 oz.	9
11.	Revlon Peaches Night Cream Moisturizer 8 oz.	12
12.	Rejuvia Vitamin E Collagen Mask, 4.25 oz.	12
13.	Almay Sensitive Cleanser, 7.75 oz.	11
14.	Revlon Citrus Face Cleanser, 8 oz.	12
15.	Revlon Buttermilk/Honey Cold Cream, 8 oz.	12
16.	Revlon Seasalts Gel Moisturizer, 8 oz.	12
17.	Revlon Primrose Soothing Moisturizer, 8 oz.	12
18.	Almay Anti-Bacteria Cleanser, 8 oz.	11
19.	Revlon Peppermint Skin Toner, 8 oz.	12
20.	Revlon Lavender Facial Toner, 8 oz.	12
21.	Revlon New Age Naturals Travel Kit	9
22.	Alivio Aloe Cocoa Butter Lotion, 8 oz.	12
23.	Rejuvia Aloe Mask, 4.25 oz.	12
24.	Max Factor Cleanse-A-Gel, 6 oz.	10
25.	Cabot Vitamin E Facial Scrub, 2 oz.	12

Source: Towne-Oller.
*By average monthly chain drug store dollar volume for products introduced into the drug/food trade classes during the first six months of 1991.

Top 25 new items in shampoos*

Rank	Item	Months of activity
1.	Finesse Shampoo Plus Conditioner Reg., 10 oz.	9
2.	Salon Selectives #6 Extra-Body Shampoo, 15 oz.	7
3.	Finesse Shampoo Plus Conditioner Reg., 15 oz.	9
4.	Perma-Soft 1-Step Xtra-Conditioning, 10.5 oz.	9
5.	Prell Moisturizing Shampoo, 15 oz.	10
6.	White Rain Plus Xtra-Body, 11 oz.	12
7.	Perma-Soft 1-Step Reg.-Conditioning, 10.5 oz.	9
8.	Infusium 23 Maximum Body Shampoo, 12 oz.	12
9.	White Rain Plus Replenishing Shampoo, 11 oz.	11
10.	St. Ives Apple Mint Sham/Cond. Twin, 16 oz.	10
11.	Infusium 23 Moisturizing Shampoo, 12 oz.	12
12.	St. Ives Cream Rose Moisturizing Sham/Cond. Twin, 16 oz.	7
13.	Perma-Soft 1-Step Light-Conditioning, 10.5 oz.	8
14.	Suave Perm & Color Shampoo, 16 oz.	7
15.	Prell Moisturizing Shampoo, 7 oz.	9
16.	Suave Plus Shampoo/Conditioner Nor/Dry, 16 oz.	11
17.	Infusium Perm Color/Treated Shampoo, 12 oz.	12
18.	Suave Plus Shampoo/Conditioner Xtra Body, 18 oz.	11
19.	Style Plus Extra Conditioning Shampoo, 15 oz.	12
20.	Dep Shampoo/Conditioner Xtra Body, 11 oz.	10
21.	Freeman Pelisima Gentle Shampoo, 11.5 oz.	6
22.	Freeman Papaya Shampoo, 3.8 oz.	12
23.	Style Plus Regular Conditioning Shampoo, 15 oz.	12
24.	Finesse Extra Body, 22 oz.	10
25.	Dep Shampoo/Conditioner Xtra Cond., 11 oz.	10

Source: Towne-Oller.
*By average monthly chain drug store dollar volume for products introduced into the drug/food trade classes during the first six months of 1991.

Nielsen studies show challenges for drug outlets in hair, skin care

Mass merchandise chains are grabbing share in the skin and hair care categories, as drug and food store operators cope with flattening and declining sales.

In hair care, the biggest dollar volume HBA category, mass merchandisers were able to generate a 7 percent dollar volume gain during the first 10 months of 1991, according to Nielsen Market Research.

Photo: Alberto Culver Looks of America Collection.

The layered look is back, as personified in this creation from stylist Charles Ifergan.

'The best we can do is try to stay even (with the deep discounters) and that eats deeply into profits.'

— Monk

Their gain came at a time when the category itself was down in mass, dropping 2 percent to $3.5 billion for the 10-month period.

Drug and food stores equally bore the burden of lost sales. Nielsen reports that the hair care category was down 4 percent in dollar sales in each of these trade classes.

Hair color gained 2.5 percent, and was the only hair care segment that went up in the drug store industry for the first 10 months of 1991.

For the same period, sales of hair color in food stores dropped nearly 1 percent. But in mass merchandisers, where the category is aggressively advertised and promoted, dollar sales were up 14 percent.

Shampoos were up dramatically in mass merchandisers stores but down in drug stores. According to Nielsen, dollar sales of shampoos were up 10 percent in mass merchandise stores while they were down 4 percent in drug and 2 percent in food.

In skin, dollar sales in all mass market stores were up 2 percent to $1.9 billion for the first 10 months of 1991.

However, drug store sales within the category were down 2 percent for the 10 months, while food store sales of skin care suffered a 1 percent decline.

Mass merchants, on the other hand, powered 15 percent gains. Wal-Mart, Kmart and Target are expanding their presence in skin care, just as in hair care, by allocating more space and advertising for beauty care

"Everyone these days uses HBA items as leaders in their advertising," says Robert Burtis, hair and skin care buyer for New York-based Kinney Drug. "Everyone's out there picking up our brands and virtually giving them away. To compete on the popular brands, drug stores have to practically give them away too."

The latest category to come to the attention of mass merchandisers is bath care. Sales of bath products were up a whopping 34 percent in mass merchandise stores for the first 10 months, according to Nielsen, while the category was up just 8 percent in drug stores and 5 percent in food stores.

Face creams and lotions were up 20 percent in mass merchandise stores, compared to a 4 percent increase in food stores and a 2 percent decline in drug stores. Sun care products were up 16 percent in mass merchandise stores, compared to a 2 percent increase in food stores and a 2 percent decline in drug stores.

Photo: Alberto Culver Looks of America Collection.

Hair designer Dusty Fleming creates a "California Natural" style.

According to Nielsen, mass merchandise stores have increased their dollar sales share of hair care by 4 percentage points in the past seven years. For the first 10 months of 1991, mass merchandisers had a 26 percent share of hair care sales, compared to a 22 percent share in 1984.

They also picked up 4 percentage points in skin care sales. For the first 10 months of 1991, mass merchandisers had a 23 percent share of all skin care sales, compared to a 19 percent share in 1984.

All their gains in skin care sales came at the expense of drug stores. According to Nielsen, drug stores had a 51 percent share of skin care sales in 1984 but only a 47 percent share for the first 10 months of 1991.

'The two big buzz words in hair care today are anti-frizz and shine.'

— Carlson

In hair care, mass merchandisers took much of their growth from the food store trade class, but drug stores also lost some share in this category as well.

In 1984, drug stores had a 37 percent share of hair care sales. For the first 10 months of 1991, they had a 36 percent share. In 1984, food stores had a 41 percent share of hair care sales. In 1991, their share had dropped to 38 percent.

Hair care dollar sales by trade class

(in millions)

Segment	All trade classes	Drug stores	Food stores	Mass merchandisers
All HBA	$27,977.5	$10,435.3	$11,652.0	$5,890.3
All toiletries	13,302.1	5,419.5	4,793.0	3,089.5
Hair care	3,564.4	1,262.4	1,361.4	940.6
Shampoo	1,294.4	350.8	617.6	326.0
After shampoo	704.9	246.8	287.6	170.4
Hair color	524.3	267.3	97.7	159.2
Hair fixatives	502.2	146.9	213.0	142.4
Ethnic hair preps	225.9	132.7	43.4	49.8
Mousse	113.9	34.9	46.8	32.2
Home wave kits	100.7	44.9	17.7	38.1
Men's hair preps	98.2	38.1	37.6	22.6

First 10 months.
Source: Nielsen Marketing Research.

Value- and premium-labels lift hair care

Hair care buyers for chain drug stores are continuing to report flat sales in the early part of 1992.

Recession-weary consumers are opting for value-priced brands or looking for extra value from the higher-end premium lines. Buyers say the mid-priced brands are getting lost in the shuffle, and dollar sales are stagnant as a consequence.

However, there are a few bright spots, and they are chiefly premium-priced brands with heavy advertising support behind them like Salon Selectives, two-in-one formula brands like Pert Plus, value-priced brands like White Rain and specialty items that treat problem hair.

"The two big buzz words in hair care today," says Snyder Drug's hair care

Continued on page 16

Aggressive marketing makes hair products successful

Continued from page 15

buyer Paul Carlson, "are anti-frizz and shine."

"Professional hair care is hot," says Harco's hair care buyer Charles Monk. "The anti-frizz products are doing well. We have been testing some knock-offs of the premium salon brands and they are selling very, very well."

The next wave?

Dave McDermott, Perry's hair care buyer, says that the new wave is for products that add shine or eliminate frizz.

"Before that, it was the curl," he says. "I would say the two-in-one formulas are now in the middle of a wave. They are still growing, but they could be getting closer to peaking."

McDermott says that vendors are saying that the next "big wave" is going to be hot oil treatments. "I'm going to wait and see before I react. Vo5 owns that category now, and I don't think there's that much of a demand or that much of a need for many more new items."

Monk says Harco is doing well with all the anti-frizz products, hot oil treatments, premium brands like Colorvive and just about every product that contains the word "moisturizing" on the label.

Shine enhancing products and pacquettes of specialty items like the TRESemme mini pack, the Fermodyl Moisturizing Recovery pacquette, the Frizz-Ease Serum pacquette and the Citré Shine pacquette also sell well in Harco stores, plus they deliver a higher-than-average gross margin.

Photo: Alberto Culver Looks of America Collection.

Hair dresser Tim Casey created this "city sophisticates" style for the 1992 Alberto Looks of America Collection.

Dave McDermott of Perry says that the new wave is for products that add shine or eliminate frizz.

Pacquettes a hit

"The Wal-Marts and deep discounters have killed the shampoo market for us because we just can't match them on price," says Monk. "The best we can do is try to stay even and that eats deeply into profits. But we can sell the pacquettes for 89 or 99 cents and still make 40 or 50 percent gross."

Shine enhancers popular

Carlson says one of the first lines into the shine enhancer category, Pantress's Citré Shine line, is doing extremely well at Snyder. Pure Shine from Hask has done well. "It has a neat package," he says. "The box is shaped with sides like a mirror so it stands out."

L'Oréal's Colorvive makes shine enhancement claims targeted toward the large population of American women who color their hair. Colorvive is a premium-priced line, so its unit sales are not as dramatic as those for value-priced brands like White Rain or Suave. However, buyers say that, based on dollar sales and profits, the line is successful for them.

"Colorvive's doing very well for us," says Kinney's Robert Burtis. "We're seeing very good sales. We just got Permavive in, and we think that will be good, too.

"L'Oréal's just doing a good job of coming out with new items that don't take up much space but deliver good sales and good profits," he added.

Among the major vendors, buyers say that L'Oréal with Colorvive and Studio Line, Helene Curtis with Finesse, Salon Selectives and Suave, Gillette with White Rain, P&G with Pert Plus and Vidal Sassoon, and Alberto Culver with Vo5 and TRESemme, have been showing the strongest growth within hair care.

Importance of marketing

"The category overall is flat, but there are shifts from one company to another," says Drug Emporium's HBA director Dale Rogers. "The success of a brand depends entirely on how aggressively a company is marketing its brands. The ones with the strong marketing programs—P&G, Helene Curtis and L'Oréal—are all doing very well."

Now, Helene Curtis is launching Vibrance shampoos and conditioners. "Helene Curtis and Procter & Gamble have deep pockets to prime the pump," says Carlson. "When they introduce something, it is usually innovative, and they support what they launch."

According to McDermott, "My sales with Helene Curtis and Alberto are up. Alberto Vo5 dominates the hot oil category. Salon Selectives, Finesse and Suave are doing great and Vibrance looks like a win-win situation. It's in the premium segment where we're seeing very good growth, the packaging is great and the launch program looks super."

Newer anti-frizz products

Among the newer anti-frizz items that buyers say are doing well are Del's Frizz Tamer and the L'Oréal Studio Line Anti-Frizz. John Frieda's Frizz-Ease, which was the first anti-frizz brand, is still maintaining momentum even with price points averaging $9.99 per bottle.

Share of dollar sales shift in hair care

Segment	Drug stores (% share) 1984	Drug stores (% share) 1991*	Food stores (% share) 1984	Food stores (% share) 1991*	Mass merchandisers (% share) 1984	Mass merchandisers (% share) 1991*
All HBA	40%	37%	43%	42%	17%	21%
All toiletries	43	41	37	36	20	23
Hair care	37	36	41	38	22	26
After shampoo	38	35	43	41	19	24
Shampoo	28	27	51	48	21	25
Hair color	53	51	17	19	30	30
Hair fixatives	30	29	44	42	26	29
Ethnic hair preps	58	59	27	19	15	22
Men's hair preps	37	39	44	38	19	23
Home wave kits	50	44	19	18	31	38
Mousse	49	31	32	41	19	28

*First 10 months.
Source: Nielsen Marketing Research.

Growth in hair care dollar sales

(First 10 months of 1991)

Segment	All trade classes % chng	Drug stores % chng	Food stores % chng	Mass merchandisers % chng
All HBA	2.8%	0.6%	0.9%	11.7%
All toiletries	0.9	(1.3)	(1.8)	10.0
Hair care	(1.4)	(4.2)	(4.2)	7.1
After shampoo	(3.6)	(6.0)	(5.6)	4.0
Shampoo	0.2	(4.1)	(1.8)	9.9
Hair color	5.0	2.5	(0.6)	13.6
Hair fixatives	(3.8)	(6.5)	(6.6)	4.1
Ethnic hair preps	(5.0)	(5.7)	(8.6)	0.2
Men's hair preps	(8.3)	(9.3)	(11.9)	0.5
Home wave kits	(7.6)	(11.7)	(13.7)	1.4
Mousse	(4.5)	(7.5)	(7.6)	4.3

Source: Nielsen Marketing Research.

Chains try new skin care programs to drive growth, make shopping easy

Chain drug store operators see skin care as an important area of opportunity, and they are experimenting with different presentations to drive dramatic growth.

Drug Emporium, F&M and Eckerd, for example, have merchandising programs that enhance upscale lines in a skin care center or regimen department. They are reporting faster growth than chains that have a traditional skin care set, or with commodities in toiletries and family sets for franchised skin in cosmetics.

F&M

In Detroit, Pat Gardocki, director of cosmetics for F&M, says the deep discounter has developed several merchandising presentations for upscale skin care lines.

Like most chains, F&M merchandises family lines like Revlon, Almay and Clarion on the wall with color cosmetics, but in some stores, they also cross merchandise these lines in what Gardocki calls the chain's new "regimen" skin care department.

The 24-foot vertical skin care regimen set is in F&M's newest prototype stores, but Gardocki says the presentation is so attractive, the chain plans to put it in all new and remodeled stores. A smaller variation of the set with space allocations that fit existing store needs is in the works.

In the prototypes, skin toiletries, skin regimen lines, bath and cosmetic have two full aisles on both sides of the gondola plus a third adjacent aisle.

Within cosmetics is another new F&M merchandising concept, a teen and preteen toiletries department, stocked with lines like Natural Glow, Bonne Bell, Petite Naté, Tinkerbell and Barbie.

In its continuing quest to improve presentations, the chain is testing the merchandising of Almay toiletries on the wall with the Almay skin care and cosmetics.

Gardocki explains that the chain is trying to develop planograms that organize departments the way customers use them. "The customer doesn't distinguish between Neutrogena as an HBA line, or Almay as a franchised line. That's a distinction we make as retailers. We think that customers who are interested in regimen skin care or in family lines want to see them merchandised together. It's easier for them."

In addition to its new regimen planogram, F&M has another skin care presentation. It merchandises prestige lines, like Estée Lauder and Clinique that are primarily sold in department stores, inside their service showcases where they keep prestige department store fragrances.

"We think the way to continue to build sales is through presentation and service," Gardocki says, adding that the chain provides service through a strong emphasis on cosmetician training.

Smaller family lines like CCA's Sudden Change are merchandised in the "assorted section" of F&M's basic cosmetic set, with miscellaneous products like false eyelashes.

The chain is testing a new line of carded skin care specialty items that pull together about 15 different treatment products under one label: the Signature brand from Winarick. "They have the specialty types of items you can buy in department stores like a wrinkle serum or a eye defense gel, but their pricing is very moderate, between $4 and $6," she says.

"I think if you can pull these little specialty items together under one brand with reasonable retails, you have a better presentation and the chance to induce more customers to try the items," says Gardocki.

Now that Revlon is rolling back prices 50 percent on Pure Skin Care, New Age Naturals and Anti-Aging, Gardocki thinks there is an opportunity to drive sales by using price as a merchandising focus within the stores.

Longs Drug

On the West Coast, Longs Drug has also noticed a growing consumer demand for specialized skin care items.

"We're getting numerous calls for Sudden Change, and I think it's because of the advertising they're breaking," said Carolyn Redmond, cosmetic manager for a Longs store in Auburn, Calif. "We've had Covermark about six months now and it's constantly moving. I think that's because there's a market for it. The other cosmetics we stock aren't meant to camouflage flaws. Covermark fills an unmet need."

As a decentralized chain, Longs stores are allowed tremendous discretion when it comes to merchandising. In the Auburn store, Redmond has chosen to merchandise Covermark on the wall next to Physician's Formula.

Redmond stocks enough SKUs to give the line a family presentation. She has six shades of powders plus make-up removers and Leg Magic. Covermark provides testers as well as shelf talkers, and their representative is trying to set up some in-store makeovers as well as cosmetician training schools.

Redmond says the company itself is good to work with and her particular representative is fair, dependable and creative.

In the summer, when women worry about varicose veins and capillaries, she can't stay in stock with Covermark. Hypo-allergenic cosmetics do well in her store including Physician's Formula, Allercreme and Clarion.

Genovese Drug Stores

In New York, Stephanie Hayter, who buys cosmetics for Genovese Drug Stores, is waiting to see if Revlon's recent 50 percent price roll back on New Age Naturals and Pure Skin Care will spur growth. "It could be good or it could just make it harder to get the dollar sales we generated last year."

She hopes that Noxell's current relaunch of its Clarion line will help skin treatment

Continued on page 20

Share of dollar sales shift in skin care

Segment	Drug store (% share) 1984	Drug store (% share) 1991*	Food store (% share) 1984	Food store (% share) 1991*	Mass merchandisers (% share) 1984	Mass merchandisers (% share) 1991*
Total HBA	40%	37%	43%	42%	17%	21%
Total toiletries	43	41	37	36	20	23
Skin care	51	47	30	30	19	23
Bath products	48	46	32	29	20	25
Depilatories	58	56	24	23	18	21
Face creams/lotions	58	55	24	24	18	21
Hand & body lotions	47	43	36	35	17	22
Chapped lip preps	47	40	35	38	18	22
Suntan lotions/oils	57	48	25	30	18	22
Baby lotion	29	25	44	38	27	37
Baby oil	31	31	45	41	24	28

*First 10 months
Source: Nielsen Marketing Research.

Skin care dollar sales by trade class
(in millions)

Segment	All trade classes	Drug stores	Food stores	Mass merchandisers
All HBA	$27,977.5	$10,435.3	$11,652.0	$5,890.3
All toiletries	13,302.1	5,419.5	4,793.0	3,089.5
Skin care	1,857.3	881.6	555.9	419.8
Face creams/lotions	570.9	311.6	136.0	123.4
Hand & body lotions	506.5	219.2	177.2	110.1
Suntan lotions/oils	379.3	181.4	113.6	84.2
Bath products	206.7	95.9	58.8	52.1
Baby oil	62.7	19.5	26.0	17.3
Chapped lip preps	60.5	24.2	23.2	13.2
Depilatories	39.0	21.9	9.1	8.0
Baby lotion	31.5	8.0	12.1	11.5

*First 10 months.
Source: Nielsen Marketing Research.

The 24-foot vertical skin care regimen set. . . is so attractive, F&M plans to put it in all new and remodeled stores.

As a decentralized chain, Longs stores are allowed tremendous discretion when it comes to merchandising.

Chains try new skin care programs to drive growth

Continued from page 18
sales. "They're using more shelf talkers to identify specific product benefits and that could be good," she says.

Hayter thinks Almay's Problem Solution skin care launch should do well. "Women should find it easy to use, since Almay links the problem with the solution products in the line."

Hayter is worried that the economy may force many major vendors to cancel training sessions, and without proper training, in-store cosmeticians will find it much harder to recommend higher-ticket skin care purchases.

Harco Drugs

In Alabama, Charles Monk, skin care buyer for Harco Drug, says he's constantly updating his planogram and is bringing in Almay's Problem Solutions, the new Pond's cleansers, Nivea collection and Plénitude packaging.

Facial cleansers and bath products are doing particularly well for the chain right now. Monk is going to add a six-SKU assortment of Vitabath to satisfy customers who want a premium line of products. "Women are working today, and every now and then, they want to treat themselves to a nice bath oil or a bubble bath—something relaxing—and they'll pay more for a nice product," he says.

Growth in skin care dollar sales

(First 10 months of 1991)

Segment	All trade classes % chng	Drug stores % chng	Food stores % chng	Mass merchandisers % chng
All HBA	2.8%	0.6%	0.9%	11.7%
All toiletries	0.9	(1.3)	(1.8)	10.0
Skin care	1.8	(1.6)	(1.2)	14.8
Bath products	12.2	7.5	4.7	33.9
Depilatories	(5.4)	(6.4)	(11.1)	5.3
Face creams/lotions	3.7	(1.6)	3.7	19.9
Hand & body lotions	(2.1)	(2.0)	(6.3)	5.4
Chapped lip preps	3.6	1.8	(0.1)	15.1
Suntan lotions/oils	1.2	(4.7)	1.7	15.7
Baby lotion	(8.3)	(19.8)	(10.4)	4.6
Baby oil	(0.6)	1.5	(5.1)	4.5

Source: Nielsen Marketing Research.

He will adopt the same presentation for premium bath lines as he used for premium priced shampoos. "I'll place them on the top two shelves at eye level," he says, "so they'll be one of the first things that shoppers see. It worked in shampoos, and I think it will work in bath."

Cullum

Phil Turner, a Cullum cosmetic buyer in Texas, says he's in the process of changing over to a family merchandising presentation, which will let the franchised skin treatment lines be merchandised next to their sister lines in color cosmetics, and he's hoping that may spark sales.

"Plénitude is the best line that we have right now," he says. "Their new eye cream has been particularly strong."

Revco D. S.

At Revco, franchised skin care sales are soft. Buyer Judy Wray says the only major line really doing well for her is Almay, whose sales are up in the low double digits vs. last year.

Wray isn't excited about Revlon's price rollback, reasoning that the move may cause Revlon to lose face with skin care customers. She is excited about specialty items that are showing growth at Revco. Lines like Winarick's Signature Specialty Skin Care, CCA's Sudden Change and West Cabot are "real niche businesses that are very interesting to develop," she says.

She thinks specialty items have been successful because "they fill needs that aren't being addressed by homogeneous mass market items.

"It's similar in a sense to popular radio programing," says Wray. "I may like to listen to the radio station that plays the Top 40 hits of the week, but then there are certain songs you like that aren't in the Top 40 and I want to hear them too."

She says Revco has been focusing more on merchandising with the side wing program; wire racks that fit over the sides of end caps and can hold product both pegged and nonpegged. "It's given a lot of extra space to use for new items, and that's saved them from getting lost on the wall. We keep Sudden Change in a side program for three months and support it with ad circulars and tag television ads."

Right now, the fuller line of Signature products is on the wall with the West Cabot specialty items.

They're adjacent to the Corn Silk line and cosmetic brushes in a department designated as "cosmetic accessories." But down the line, Revco may create a specialty set just for such items. Sources say CVS is also examining such an option.

F&M's Gardocki, who can track movement through front-end point-of-sale reports, says that in addition to specialty items, eye care products are also showing particularly good growth.

In her franchised set, she says moisturizers are currently selling better than cleansers. But in the HBA department, sales for cleansers are much stronger.

She has had the new Almay Problems Solution line on promotional floorstands and sales are very good, but it's slated to go into the skin regiment department.

Snyder Drug Store

In Minneapolis, Susan Lund, cosmetics buyer for Snyder Drug Store, says her skin care sales are still growing, but her strongest business is coming from the well-known brands that are merchandised on the wall in cosmetics.

"The smaller brands are slow. People seem to be buying what they see advertised: Plénitude, Almay and Olay," said Lund.

She says Almay's skin care is doing well. "They have a lot of nice little niche items and people like them. Everyone likes to think they have sensitive skin too, and that image has helped Almay." Almay's teen line also shows promise, she added.

Bonne Bell skin care also does great for Snyder, Lund says. "Their whole 10-O-6 line really moves for us. They don't have real deep pockets for advertising, but they do enough to keep their name visible and viable."

She is curious about Revlon's 50-percent price cut but says, "Revlon also needs to do a little more national advertising on skin care. It's the same as their fragrances. They're not supporting it to the extent they should."

Physicians Formula is in about 15 Snyder stores, and doing well.

Lund says she doesn't have enough space to put the line into all her existing stores, but as Snyder remodels or opens new stores, they pick up every store.

The facial masques from West Cabot do well in the chain. "They are cheap and a good way to get people to try the category and the line," she says.

NUDIT®

Smooth-On *Bleach* *Brush-On*

• The 4 Season Selling Specialist!
• Strong T.V. Support!

MEDTECH LABORATORIES, INC.
Jackson, Wyoming 83001 • 1-800-443-4908

Ask your wholesale or Medtech representative about Nudit, or call us directly.

© 1990 Medtech Laboratories, Inc.

If You're Involved In The Business of HBA/HBC
Meet Exclusively HBA's All-Industry Steering Committee
And Join Them At YOUR SHOW!

- Ray Stone, **Dominicks Finer Foods** • Jim Woodruff, **Wal-Mart Stores**
- Kevin Browett, **K-Mart** • Jerry Kern, **Shopko Stores** • Harry Hart, **Revlon**
- Frank Shanower, **Drug Emporium** • Harvey Alstodt, **Del Laboratories**
- Greg O'Daniel, **Temco USA** • John Temperato, **Colgate-Palmolive**
- David Woolf, **Ardell International** • Ron Demczak, **Warner-Lambert**
- Robert Farrell, **DuCair Tsumura** • Scott Roberts, **The Gillette Company**
- Kim Maguire, **Target Stores** • Victor Mazzacone, **SmithKline Beecham**
- David Biernbaum, **Vi-Jon Laboratories** • Peter Madkin, **Soft Sheen Products**
- Bob Sigel, **McKesson Service Merchandising** • Rick Glass, **Perrigo**
- Royal Klein, **Granutec** • Rick Sherman, **Pace Membership Warehouse**

September 22-24 –This Year! Denver Convention Center

PHONE 312-726-5023
• FAX 312-726-3728

EXCLUSIVELY HBA A MAJOR TRADE SHOW

Serving Only the Health & Beauty Care Industry

Screens burning UVB & also **blocks** penetrating UVA rays.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Two sunscreens give **"maximal protection"! [SPF=10]**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

O&M 4th-qtr. sales, net income climb

RICHMOND, Va. — Owens & Minor, Inc. announced that its sales for the fourth quarter ended Dec. 31, 1991 were a record $352.4 million, up 11.4 percent from $316.3 million during the fourth quarter of 1990. Net income for the three-month period increased 25.5 percent to $3.5 million in 1991 from $2.8 million during the same period in 1990.

As for the 12 months ended Dec. 31, 1991 were a record $1.3 billion, an increase of 8.3 percent from the $1.2 billion sales O&M reported for the same period in '90. Net income for the 12-month period was $12 million, compared to $8.8 million for the same period in '90, an increase of 37.1 percent.

G. Gilmer Minor III, president and ceo said: "Improvement over the prior year was evident in every major financial category. . . We accomplished our goal of increasing our gross margin, not necessarily by raising prices but by controlling our business more effectively and managing our inventory to take better advantage of our size in the marketplace."

Minor said that the acquisition of Koley's Medical Supply in Nebraska and Des Moines, Iowa, completed in December 1991, gave the company further penetration in the Midwest.

He added that the announced signing of a definitive agreement with Bergen Brunswig Corp. to sell Owens & Minor's wholesale drug business would strengthen O&M's balance sheet, improve profitability and allow the company to enhance its position as the second largest medical/surgical distributor in the U.S.

Ralphs Grocery Co. to change ownership through stock swap

COMPTON, Calif. — Ralphs Grocery Co., operator of 158 stores in southern California, was due at press time to change ownership through a stock swap this month as part of a bankruptcy reorganization plan filed by its parent company, Federated Stores, Inc., a subsidiary of Canadian-based Campeau Corp.

The change will establish Ralphs as a completely separate entity compared with its current status as a separate subsidiary of Federated, although the latter did enable Ralphs to avoid bankruptcy when its parent filed for Chapter 11 protection in March 1990.

Mead

CAMBRIDGE BUSINESSWEAR™

AS IMPORTANT TO THE WAY YOU LOOK AS THE CLOTHES YOU WEAR.

MARKET DIARY:

Largest Dollar Gainer	Taro-Vit Industries	$ 2.88	Advances	22
Largest Dollar Loser	Carter-Wallace	$ – 13.00	Declines	37
Largest Percentage Gainer	Taro-Vit Industries	33.33%	Unchanged	2
Largest Percentage Loser	ICN Pharmaceutical	– 24.06%	New highs	9
			New lows	0

	Close 2/4/92	Close 2/18/92	Net Change	Percent Change
Drug Store News Index	5091.52	4998.34	– 93.18	– 1.83
Dow Jones Industrial Average	3272.81	3224.73	– 48.08	– 1.47
Standard & Poor's 500-Stock Index	413.85	407.38	– 6.47	– 1.56
N.Y.S.E. Composite	228.79	225.65	– 3.14	– 1.37
Value Line Index	262.03	263.56	1.53	0.58

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 2/4/92	Closing Price 2/18/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.50	4.75	0.25	5.56	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	23.75	23.75	0.00	0.00	26	0.12	0.51	25.25	15.00
OTC	Big B	BIGB	12.00	13.00	1.00	8.33	17	0.16	1.23	14.50	7.38
OTC	Drug Emporium	DEMP	8.13	7.75	– 0.38	– 4.62	—	0.12	1.55	9.63	5.50
NYS	Fay's Inc.	FAY	10.38	10.50	0.13	1.20	18	0.20	1.90	15.75	8.25
ASE	Genovese Drug	GDX.A	12.25	12.13	– 0.13	– 1.02	13	0.24	1.98	14.75	6.88
NYS	Longs Drug Stores	LDG	39.00	38.50	– 0.50	– 1.28	14	1.08	2.81	44.38	33.38
OTC	Medicine Shoppe	MSII	26.25	26.75	0.50	1.90	20	0.36	1.35	30.75	19.00
NYS	Perry Drug (h)	PDS	10.50	10.25	– 0.25	– 2.38	17	0.00	0.00	11.00	5.75
NYS	Rite Aid Corp.	RAD	21.50	21.63	0.13	0.58	16	0.52	2.40	23.88	17.25
NYS	Walgreen Co. (H)	WAG	38.63	35.50	– 3.13	– 8.09	22	0.52	1.46	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	17.38	18.88	1.50	8.63	14	0.40	2.12	26.19	16.00
OTC	Bindley Western Ind. (H)	BIND	19.13	20.50	1.38	7.19	16	0.04	0.20	20.75	13.50
OTC	Cardinal Distribution	CDIC	30.75	32.00	1.25	4.07	26	0.08	0.25	38.75	22.50
OTC	Durr-Fillauer	DUFM	23.75	22.00	– 1.75	– 7.37	15	0.28	1.27	34.75	17.50
NYS	McKesson Corp.	MCK	33.50	33.25	– 0.25	– 0.75	15	1.60	4.81	40.13	31.75
ASE	Moore Medical	MMD	4.75	5.50	0.75	15.79	—	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	20.63	20.00	– 0.63	– 3.03	22	0.20	1.00	24.25	11.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	64.25	63.13	– 1.13	– 1.75	25	1.00	1.58	69.75	44.75
NYS	American Home Products	AHP	80.00	73.88	– 6.13	– 7.66	17	2.60	3.52	86.25	55.25
ASE	Barr Laboratories	BRL	17.25	17.88	0.63	3.62	38	0.00	0.00	37.50	11.75
NYS	Baxter International	BAX	37.38	34.50	– 2.88	– 7.69	17	0.72	2.09	40.88	30.00
OTC	Block Drugs Co.	BLOCA	59.88	57.50	– 2.38	– 3.97	19	0.88	1.53	61.00	42.47
ASE	Bolar Pharmaceutical	BLR	13.63	11.25	– 2.38	– 17.43	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb	BMY	81.75	77.63	– 4.13	– 5.05	20	2.76	3.56	90.13	73.50
NYS	Carter-Wallace	CAR	121.00	108.00	– 13.00	– 10.74	36	1.00	0.93	137.50	58.75
ASE	Columbia Labs	COB	8.88	7.50	– 1.38	– 15.49	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	23.75	24.13	0.38	1.58	18	0.28	1.16	24.38	13.13
ASE	Forest Labs	FRX	36.88	35.38	– 1.50	– 4.07	33	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	8.13	8.31	0.19	2.31	33	0.00	0.00	9.75	3.00
NYS	ICN Pharmaceutical	ICN	23.38	17.75	– 5.63	– 24.06	—	0.00	0.00	25.38	4.00
ASE	Lee Pharmaceutical	LPH	1.50	1.38	– 0.13	– 8.33	—	0.00	0.00	2.25	0.75
ASE	Leiner P. Nutrition	PLI	14.50	14.50	0.00	0.00	16	0.00	0.00	14.63	10.25
NYS	Lilly Eli Co.	LLY	78.75	75.38	– 3.38	– 4.29	17	2.20	2.92	87.75	69.50
NYS	Marion Merrell Dow	MKC	36.25	33.50	– 2.75	– 7.59	16	0.92	2.75	39.63	27.25
NYS	Merck Co.	MRK	158.88	146.00	– 12.88	– 8.10	27	2.52	1.73	169.75	99.50
NYS	Mylan Labs	MYL	33.00	33.13	0.13	0.38	33	0.20	0.60	43.25	21.13
NYS	Novo-Nordisk	NVO	86.25	83.38	– 2.88	– 3.33	19	0.60	0.72	96.00	61.00
OTC	Nutramax Products (H)	NMPC	10.75	11.25	0.50	4.65	31	0.00	0.00	12.13	2.38
NYS	Pfizer Inc.	PFE	74.13	70.25	– 3.88	– 5.23	26	1.48	2.11	87.00	50.00
NYS	Pharmaceutical Resources (H)	PRX	7.25	6.63	– 0.63	– 8.62	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	65.63	61.50	– 4.13	– 6.29	26	0.56	0.91	69.38	39.00
NYS	Schering Plough	SGP	61.50	56.63	– 4.88	– 7.93	19	1.32	2.33	68.00	46.25
NYS	Syntex Corp.	SYN	49.13	45.75	– 3.38	– 6.87	24	0.92	2.01	56.00	35.00
OTC	Taro-Vit Industries (H)	TAROF	8.63	11.50	2.88	33.33	96	0.00	0.00	11.50	3.25
OTC	Teva Pharmaceutical Ind. (H)	TEVIY	24.00	23.63	– 0.38	– 1.56	24	0.16	0.68	26.50	11.75
NYS	Upjohn Co.	UPJ	42.50	41.13	– 1.38	– 3.24	14	1.36	3.31	49.25	37.63
NYS	Warner-Lambert	WLA	69.75	68.25	– 1.50	– 2.15	65	2.04	2.99	82.25	66.38
OTC	Zenith Labs	ZENL	22.25	20.00	– 2.25	– 10.11	54	0.00	0.00	23.25	6.25
Other retailer transactions											
NYS	Albertson's	ABS	42.50	41.88	– 0.63	– 1.47	22	0.56	1.34	51.38	32.75
NYS	American Stores	ASC	33.38	35.88	2.50	7.49	9	0.68	1.90	46.19	26.00
NYS	Giant Food	GFS.A	24.63	24.25	– 0.38	– 1.52	14	0.64	2.64	31.25	20.63
NYS	Great Atlantic&Pacific Tea	GAP	31.50	32.13	0.63	1.98	14	0.80	2.49	57.75	25.00
NYS	Kmart (H)	KM	49.88	50.63	0.75	1.50	13	1.76	3.48	52.88	33.50
NYS	Kroger	KR	19.63	17.75	– 1.88	– 9.55	16	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	48.13	49.38	1.25	2.60	15	1.48	3.00	55.25	38.25
OTC	Fred Meyer	MEYR	27.25	27.75	0.50	1.83	17	0.00	0.00	28.75	14.75
NYS	Penney, JC (H)	JCP	56.88	59.13	2.25	3.96	17	2.64	4.47	60.25	47.13
NYS	Safeway	SWY	18.38	17.38	– 1.00	– 5.44	27	0.00	0.00	21.63	15.00
NYS	Smith's Food & Drug	SFD	39.63	41.75	2.13	5.36	25	0.44	1.05	43.75	30.25
NYS	Wal-Mart	WMT	55.50	51.38	– 4.13	– 7.43	40	0.16	0.31	59.88	33.50

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices.

Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved.

POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 5 Mar. 2, 1992

The newspaper of drug store retailing

March 16, 1992

DRUG STORE NEWS

Vol. 14 No. 6

A Lebhar-Friedman publication

P&G's low-price policy poses new game rules

Procter & Gamble's new everyday-low-price gambit could check the trade-promotion profits of chains geared to high-low promotions, but some marketers see the manufacturer's move as a consequence of information technology and a progressive strategy.

Trade promotion allocations

(Percentage of total promotional dollars)

1990	44%
1989	42
1988	42
1987	41
1986	40
1985	38
1984	37
1983	37

Source: Donnelley Marketing, Inc. (Donnelley Marketing Annual Surveys of Promotional Practices for 1980-1990).

By Allene Symons

CINCINNATI — Procter & Gamble is betting miles of shelf space that its new everyday-low-price (EDLP) policy will benefit P&G's brand equity and at the same time be accepted—however reluctantly at first—by the majority of chain drug, food and mass merchandise outlets that now rely on deals and trade promotions.

P&G's new policy affects around 40 percent of its product lines, including food, beverage, laundry, household cleaning and some HBA, according to P&G's public af-

See **P&G** *page 21*

Thrift brings back the house call

Pittsburgh consumers within five miles of a Thrift get free home and office delivery, in service meant to distinguish the chain.

By James Frederick

PITTSBURGH — With plenty of hoopla, Thrift Drug kicked off a free, storewide home delivery service here beginning March 2. It is one of the most aggressive and costly such programs undertaken by the chain drug industry in decades.

The chain launched the service with a press conference downtown Feb. 24, assembling its fleet of delivery vehicles for a motorcade through downtown Pittsburgh. First stop was a delivery to a high-profile Thrift customer: Pittsburgh mayor Sophie Masloff.

A few years ago, Thrift's delivery program would have seemed an anachronistic throwback to a simpler era in drug store retailing. Now, it seems to herald a growing movement toward higher and higher levels of old-fashioned customer service, as chain drug retailers and their competitors fight to distinguish themselves in a crowded and increasingly contested marketplace.

A few other chains, including Snyder's Drug Stores in Minneapolis, have also launched or are testing limited home delivery programs—at least for prescriptions. And many supermarket chains have contracted with Shoppers Express for fee-based delivery of grocery and non-food items in hundreds of markets nationwide.

By contrast, Thrift's new

See **Thrift** *page 21*

LATE NEWS

• MELVILLE, N.Y. — Genovese Drug Stores reported a 20 percent jump in net earnings for fiscal 1992, despite a fourth-quarter charge against earnings to settle a pricing dispute with New York's attorney general. Sales were up 3.4 percent, to $447 million.

• PONTIAC, Mich.— Perry Drug Stores recorded a sharp 75 percent jump in net earnings in the first quarter ended Jan. 31. Net income grew to $2.5 million vs. $1.4 million a year earlier, and sales were up 6 percent to $175 million.

• TROY, Mich. — At Pay Less Drug Stores, operating income rose 16.1 percent in the fiscal year ended Jan. 29 to $90 million, and sales rose 15.2 percent to $1.89 billion. Same-store sales were up 2.7 percent.

FEATURES

Watch category has timely impact

The face of the watch category is being altered as lower-priced, sporty and fashionable styles gain in popularity. **Page 17.**

Books/magazines see happy ending

Retailers who target ethnic magazines and children's books and make the most of displays create a bright spot in sales. **Page 7.**

Managing the green challenge

Retailers and manufacturers tackle complex environmental issues

Page 9

Shoppers Drug Mart marks 30th anniversary

Nearly 2,400 industry executives and friends turned out to help Shoppers Drug Mart celebrate its 30th anniversary, at a gala affair Sunday, March 1 at Roy Thomson Hall in Toronto. Flanked by ceo David Bloom and president Herb Binder, L.A. Law co-stars Jill Eikenberry and Michael Tucker joined in the festivities.

Eckerd reorders merch. team

CLEARWATER, Fla. — Eckerd Drug Company has restructured its merchandising department, putting all merchandisers under a single head and making all replenishment activities a separate function. The effort is aimed at boosting performance of both areas and making the chain more responsive to new business opportunities, said officials.

Under the new alignment, which took effect last month, Ed Kelly became vice president in charge of all front-end merchandising, while Doug Bailey was named vice president in charge of procurement, including buying systems and replenishment activities. Kelly and Bailey had previously split merchandising duties for all front-end categories, and had shared the replenishment of those categories.

Now reporting to Kelly are all three group directors of front-end merchandising, as well as director of new business Bob Meinhardt. The group directors include Scott Burgess, in charge of merchandising for health care and OTC

See **Eckerd** *page 21*

SECOND CLASS

NEWS IN BRIEF

CVS completes takeover of Thayer

WOONSOCKET, R.I. — CVS has completed the acquisition of 29 stores in Boston and southeastern Massachusetts from Thayer Pharmacies. The stores, which will operate under the CVS name, have already been converted to the chain's planogramming.

Half of the sites will be remodeled this year and the rest in 1993.

O&M sale to Bergen closes

RICHMOND, Va. — Owens & Minor, Inc. has closed the sale of its wholesale drug business to Bergen Brunswig Corp. for an estimated $50 million in cash. The sale included the net assets of the wholesale drug business located in Richmond and Norfolk, Va., and Wilson, N.C., but does not include the Fort Lauderdale, Fla., facility.

Ex-Dot exec moves to Rockbottom

PORT WASHINGTON, N.Y.— The 31-store Rockbottom deep discount chain has named Terry Files as its vp operations. Files headed the Lenexa, Ks.-based Dot chain while it was owned by Wal-Mart, and then was part of a four-person team of investor-managers who bought the 14-store operation in Jan. 1990.

Dot began liquidating its doors, selling most of its prescription files and inventory to Kmart this winter.

Hart-Scott passes on American sale

SALT LAKE CITY — The Hart-Scott-Rodino waiting period has expired without federal challenge on American Stores' agreement to sell 74 Jewel/Osco combo stores and a warehouse to Albertson's in a deal valued at more than $300 million. The pact will take American out of markets in Texas, Oklahoma, Florida and Arkansas.

Another eight Jewel/Osco stores in New Mexico were not included in the deal. American intends to keep those stores within its Oak Brook, Ill.-based Jewel and Osco operating divisions, said a company spokesman.

The two combo store giants first entered into a letter of intent to transfer the stores Jan. 28, as reported in the Feb. 17 issue of *Drug Store News*.

Drug Barn ups sales, stores, POS

COLMA, Calif. — Deep discounter Drug Barn grew fiscal year-end sales by 31 percent to more than $50 million in the fiscal year ended October 1991 and added two new stores, raising its roster to seven, reported Milt Sloban, president and chairman.

A new storewide POS system was completed in November at a cost of around $1 million; the front-end system will be linked to electronic purchasing and accounting systems to be fully installed by April 1992.

Buttrey completes IPO

GREAT FALLS, Mont. — Buttrey Food and Drug Stores Co. announced an initial public offering of 3,000,000 shares of common stock at a price of $21 per share, up from its original proposal of 2,900,000 shares initially expected to be offered at $16 to $18 per share.

All shares are being offered through an underwriting group managed by Morgan Stanley & Co., and Lehman Bros. Buttrey currently operates 43 stores in five western states.

IN THIS ISSUE

FEATURES

Environmental News 9-13
Environmental Products 14

GENERAL MERCHANDISE

Books and Magazines 7
Watches 17

COSMETICS AND FRAGRANCES

Beauty Beat 18

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Finance 22

Alco repositions Rita Ann in cosmetics/fragrance biz

BALTIMORE — Alco Health Services Corporation is positioning its Rita Ann Distributors division to become a bigger player in the fragrance and cosmetics distribution business.

Through management, merchandising and operational changes, Alco expects to capture a larger customer base.

Alco recently named Howard Diener as executive vp of the division, based here. Diener served as executive vp of marketing at Peoples Drug for four years and as senior vp of purchasing for Rite Aid Corporation for eight years.

Alco also recently named senior vp David Carter as general manager of the Rita Ann division. Carter will serve in that function while retaining his responsibilities at Alco.

The company will soon announce a newly appointed controller and sales manager.

"Rita Ann was a business that was a small part of a large company so it never really got a big commitment," said Diener. Diener said that will change as Alco repositions the division.

"We intend to broaden our merchandise mix and our customer base with new thinking and an aggressive approach to new business," he said. "We will focus on expanding our cosmetic mix so that we can become a single-source supplier to supermarkets, small chains that don't warehouse and mass merchants." Diener said that Rita Ann's mix will also be broadened to include specialty skin care and bath products.

To support the new direction, Alco has brought all of Rita Ann's operations under one roof in Baltimore.

"Previously, Rita Ann had been warehousing in Baltimore, had its purchasing administration in Philadelphia and its computer in Harrisburg," said Diener. According to Diener the computer and purchasing functions had been brought to the warehouse facility here, which was completely renovated in early February. The system has been on line since the beginning of March.

Wachol

Guffey

Bergen exits entertainment

ORANGE, Calif.— Bergen Brunswig Corp. will sell its 80-percent interest in Commtron Corp., a Des Moines, Iowa-based home entertainment distribution subsidiary, to Ingram Industries of Nashville.

Bergen signed a definitive agreement to merge Commtron with Ingram's subsidiary, Ingram Entertainment. If the agreement meets contingency requirements, Commtron shareholders will receive $7.75 per share of common stock; Commtron has about 10.1 million shares outstanding.

Said president and ceo Robert Martini, "We'll be completely focused on our vision to be the premier provider of pharmaceutical distribution services and to enhance shareholder value."

Kmart names Wachol head of growing Rx program

TROY, Mich. — Kmart Corp. has named Alice Wachol director of pharmacy, filling a management void left by the promotion of F. Kevin Browett to divisional vp-merchandising for hardlines. Wachol will report directly to Browett.

Wachol will oversee all aspects of Kmart's burgeoning pharmacy program, including third party, professional relations and field operations. As such, she will help spearhead a key component of Kmart's growth plans for the 1990s.

Kmart already has some 1,300 pharmacies in operation, with plans for several hundred more over the next few years. Both the business strategy and new store format for the discount store giant emphasize pharmacy—both in its own right as a significant profit and service center, and as the anchor to stronger, more aggressively marketed departments for HBA, greeting cards and OTC drugs.

As a consultant to Browett for the past year, Wachol has already helped flesh out the expansion and reorganization of drug store operations at Kmart. Those operations have been broadened to include other hardlines, and elevated to full divisional status in Kmart's reporting structure. Under Browett, those operations now account for 20 percent of total Kmart store revenues.

Kmart has also named Benjamin Guffey director of loss prevention, reporting to senior vp-store operations Thomas Watkins.

Fay's exec James Wuest named to DrSN board

NEW YORK — James Wuest, vp of marketing for Fay's Drug Stores, has become the newest member of the *Drug Store News* editorial advisory board.

Wuest has been at Fay's for 15 years. He started in store management at the Liverpool, N.Y.-based chain in 1976 and has held various positions in merchandising and marketing.

Wuest

In his new position as vp of marketing, Wuest is responsible for the marketing, purchasing, merchandising and store layout.

Wuest is also a member of the NACDS Marketplace committee and the American Management Association and serves on several industry advisory boards.

The *Drug Store News* editorial advisory board helps the editorial staff shape the direction of the publication.

Correction

Due to printer error, *Drug Store News* miscredited two photos in the Feb. 23 issue. Pictures on pages 35 and 46 were submitted by Worlds of Curls.

P&G brings the low price issue to a boil

IN THE MARKET
BRUCE BUCKLEY

Procter & Gamble's new low price strategy on some of its product lines has been getting a lot of play in the consumer and business press, but the spotlight has fallen almost entirely on supermarkets. Given the volume that food stores command and the strong symbiosis between P&G and the grocery trade, perhaps that's natural.

But pound for pound—as boxing writers like to say—drug store chains face a short-term impact as great as food stores. Like promotional supermarkets, these drug chains are forced to rely heavily on manufacturer trade allowances to drive traffic and fatten margins. But drug chains as a whole face the added burden of not being the big natural traffic magnets that supermarkets are.

Already under tremendous pressure from every day low pricers like Wal-Mart and Phar-Mor, drug chains could find themselves in an even more precarious position if more manufacturers follow P&G's lead and tilt the balance to contract pricing. These chains fear that the EDLP retailers will eat their lunch because they're already geared up to thrive in such a competitive climate.

It's a complex issue. Most promotion-driven retailers, both food and drug, are reluctant to speak out publicly because they haven't fully explored the ramifications of such a change. Beneath the surface, however, there are a lot of concerns and a lot of questions being asked.

One drug marketing exec wonders out loud if Procter's recent customer-oriented efforts—the company's vaunted attempt to be "better listeners"—have veered off onto a sidetrack.

Another marketing exec sees P&G's EDLP strategy as "a disguised price increase." He thinks that when the high-low pricing chains weigh the difference between full promotional allowances and contract pricing, they're going to find themselves five to seven points on "the short end of the stick."

And he says the drug store mix, with its heavy reliance on a broad assortment of highly promotional beauty care products, is especially vulnerable to a fundamental shift in pricing strategy.

A third exec sees the contract pricing strategy of P&G and other companies as "playing into the hands" of the Wal-Marts and deep discounters of the world.

This exec is already casting a hard look at his company's advertising strategy and weighing whether to put more ad dollars into lower prices, because the drug chains' traditional reliance on service and convenience just doesn't cut it when the price differentiation between the chains and the deep discounters is so great. Eventually he thinks the pricing differences will narrow, as chains trim their margins and deep discounters look to fatten theirs. At that point contract pricing will become a benefit. But in the meantime, he says, drug stores will be hit hard.

Other execs point out that the strategy could backfire and leave P&G vulnerable to competitors' promotional forays.

Long term, the shift to contract pricing could have benefits. Win Weber, who wrote about this issue in *Drug Store News*' December and January issues, is a proponent who favors dead-net pricing overlaid with performance-related marketing funds. Such an approach, he says, makes the distribution process more efficient by eliminating peaks and valleys.

Whatever the eventual outcome of this struggle, expect to see a lot of heavy discussion at next month's NACDS meeting.

FDA may be taking stronger look at OTCs

WASHINGTON PERSPECTIVE
KEN RANKIN

Drugs cost too much. That's the view expressed by more than a few politicians and bureaucrats here in Washington.

For the past 20 years legislative and executive branch policy makers have been developing new schemes to deal with the high costs of pharmaceutical care.

The "solutions" to date have included restrictive formularies, mail-order dispensaries, "MAC/EAC" price controls, pharmacy fee ceilings, manufacturer rebates, "best price" requirements, HMOs, PPOs, DUR, etc.

The result: the cost of pharmaceutical care is higher today than it has ever been, and drug prices are continuing to climb at an historically alarming pace.

One approach, however, has been shown to consistently produce significant reductions in the cost of drug therapy: switching prescription medicines to over-the-counter status.

Ironically, Rx-to-OTC switches are now coming under sharp scrutiny and criticism by some of the same politicians who constantly clamor about the high cost of drugs.

Those concerns were triggered by a new report from the Congressional General Accounting Office which raises questions about the safety and effectiveness of OTC drugs.

The problem, according to the report, is at the FDA. Because nonprescription drugs are such a low priority for the agency, GAO contends that the FDA is prevented from "fully carrying out its mandate to protect the public health and to provide reasonable assurance of the safety and effectiveness of OTC drugs."

Unlike prescription drugs, many OTCs "have not been required to demonstrate their safety and effectiveness before being made available to the public," GAO investigators added. As a result, "numerous examples of health hazards" have been associated with such "widely used OTC drugs" as aspirin, ibruprofen and acetaminophen, the report charged.

Although the report acknowledges that Rx-to-OTC switches do reduce health care costs, GAO suggests that the risks of self-medication may offset these benefits.

Because the physician may no longer be involved in the drug selection process, the shift of prescription products to OTC "increases the potential for overuse and misuse" of pharmaceuticals.

To be sure, GAO didn't issue this report on OTC medicines out of the blue. The investigation was undertaken at the request of Rep. Ron Wyden (D-Ore.), who is already prodding the FDA to develop tighter rules governing nonprescription drugs.

In response to this kind of political pressure, it's important to remember that for the past 20 years the FDA has been engaged in a massive regulatory initiative to verify the safety and effectiveness of OTC drugs.

As a result, thousands of products have been reformulated, relabeled or removed from the market altogether. OTCs today are safer and more effective than they have ever been, and new OTCs must meet even more rigorous standards than prescription medicines.

Political interference in the Rx-to-OTC decision-making process is itself risky business.

It could make drug therapy less accessable to the American public and derail the most effective vehicle for holding down the cost of medicine.

DRUG STORE NEWS®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Assistant **Carine Dabady**

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Nat'l Accounts Manager **Larry Krongold**
N.Y. Area Manager **John Kenion**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Office Manager: **Angela Ftaras**
Chicago 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Office Manager: **Beverly Wendtland**
Los Angeles 606 N. Larchmont Blvd., Los Angeles, CA 90004, (213) 464-8321
Office Manager: **Maureen Jackson**

Group Circulation Director
Matthew J. Clancy, Sr.
(3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746)
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr.
Debbie Rothenberg
Business Manager **Joel Safir**

Board of Advisers

Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAlear Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Timeliness, pricing, displays prompt book, magazine sales

Books and magazines may show sales as flat as a page in many drug chains. But bright spots appear when retailers target ethnic magazines, children's books and other growth segments and capitalize on display opportunities.

The tough economy has crimped the reading habits of Americans as they hit their pillows often without good books and magazines to inspire dreams of better times.

Book and magazine sales showed scant increases in 1991, report chain drug retailers. At the same time, mass market or rack-size book sales managed to rise slightly to an estimated $1.23 billion in 1991, up from $1.14 billion in 1990, says the Book Industry Study Group (BISG).

Still, aggressive merchandising, timely buys of titles and competitive pricing tactics can build category sales, keep shoppers in stores longer and whet their appetites as they browse while waiting for prescriptions to be filled. Mass merchants are especially forward with their trend toward large mainline book and periodical "reading centers," says Christine Nordby of the Magazine and Periodicals Marketing Institute (MPMI).

Magazine sales by trade class

($3.4 billion total)

	% Share	Sales (in millions)
Supermarket	45%	$1,530
Convenience	15	510
Other	12	400
Drug	12	390
Newsstand	6	220
Book	6	190
Discount	4	150

Source: Periodicals Institute.

Category clout

A new best seller release can spike book department sales for days or weeks. At Bill's Drugs, buyer Sharon Schrage was eagerly awaiting the February 19 release of the new Robert Ludlum novel, *Road to Omaha*; to tie in with the new hardcover, Bill's ordered paperback "backlist" Ludlum titles.

One of Schrage's strongest categories is children's books in all formats. "Kids' [books are] way up," says Schrage, and the buyer for a northeastern chain agrees: "There's a tremendous potential in kids' books." Drug stores accounted for 8 percent of juvenile book sales in 1991, in contrast with 14 percent for food stores, according to BISG. The mass merchandiser reading centers are capitalizing on the hot children's category, as Nordby notes, "it's available to parents and grandparents where they do their everyday shopping."

For a predominantly female customer base, many drug stores respond with a good selection of romance novels. At Oregon-based Pay Less, romance is the biggest of the genre categories, while the buyer at the northeastern chain says, "a strong category in recent years has been historical romance."

Discount game

Books are a price sensitive category: with the suggested retail price printed on the cover of most books, discounters sharply advertise their price against list. Most of the chains *DrSN* spoke with offer some discount or occasional price promotion on books. Even Walgreens, which sells books at full price, offers occasional coupon promotions.

Reading centers in Walgreens stores are positioned front and center and broadly assorted to appeal to a wide variety of consumers.

Rite Aid's Jeff Wolfson reports, "we always are responsive in a local market where there is a competitive situation." Likewise, Pay Less shows price awareness with occasional discounting, usually 20 percent on the top 10 to 15 paperbacks or hardcovers, according to buyer Pat Pemberton.

In Bill's Drugs locations, all *New York Times* best sellers are discounted 20 percent, while other books are 10 percent off everyday. Bill's closeout tables extend the image of value, although the retailer gets a good margin for this product.

To create a reading center image, many chains are upgrading fixtures. Bill's is testing a new white wire display with red trim; Pay Less has a new wooden book fixture in its prototype stores featuring angled pockets with a dynamic, upscale effect. A northeastern chain is moving toward that same type of angled, wooden fixture with installations now in 75 percent of its stores.

Floor displays fill the need for seasonal book promotions, but the problem is lack of space. As a space saver, publisher Bantam Books has devised a new slim-line floor display for its 1992 summer reading campaign. Retailers agree that floor displays help boost sales, especially for seasonal children's assortments at Easter and Halloween. They also provide a profitable opportunity for drug stores with rack-size fixtures—such as the northeastern chain, where floor displays are used to feature a hot new title when it is released in an oversized paperback.

Off-shelf display, niche titles boost magazine sales

Drug stores command a 12 percent share of the $3.6 billion single-copy magazine market. In the second half of 1991, although many magazines dropped in single-copy sales, others showed strong growth despite the recession *(see chart)*.

While leading titles like *People* and *Better Homes and Gardens* dominate checkout, the main line selection in many drug stores is rich with niche or specialty potential. "Niche publications are helping the industry in tough times," says Brian McDonnell, vp of marketing for Manhattan-based Magazine and Paperback Marketing Institute (MPMI).

Even in a flat market, a magazine selection draws traffic and offers good gross margin and high inventory turn with the incentive of a rack display allowance (RDA) that adds around 10 percent to the standard 20 percent margin.

Today, an increasing number of suppliers seek partnering with retailers through in-store service of stock and display, yet the magazine industry has long been a leader in this concept: most retailers opt for full service by distributor reps; business reviews and space analysis are becoming available; plus, wholesalers participate in fixture upgrades, picking up part of the cost.

Impulse points

Magazine sales probably won't rise until the pall of the recession is past, but by cross merchandising and adding off-shelf displays, several drug chains are catching extra sales. In one hot category—ethnic publications—magazine traffic can build cross business in other drug store categories.

At Seattle-based Pay Less, buyer Pat Pemberton reports that magazine sales were up slightly in 1991. Pay Less mounts magazine promotions using a special rack in the cosmetics department of the chain's new prototype stores.

Around 3,300 magazines are available through distributors. In most chains, assortment varies depending on store size. Buyer Jeff Wolfson of Rite Aid says each store works from an authorized list compiled by the buyer and based on sales information from approximately 170 different distributors.

Walgreens also relies on sales information from wholesalers. But with a POS scan system now in place, Walgreens plans eventually to break out magazine category information, according to spokesperson Laurie Meyer.

Here are some of today's hot categories, according to national magazine experts:

- Computer magazines. The computer category is uptrending after falling off in the mid-1980s. New computer product and price-cutting means consumers want to read up on what's available.
- Comic books. "Comics are certainly moving up," says McDonnell, who notes that MPMI is working with chains like CVS, Brooks and Walgreens to promote the category. At Bill's Drug, buyer Sharon Schrage has comics in some stores and says they are "doing great."
- Sports magazines. Among the growing subcategories are golf magazines, hunting and fishing titles.
- Ethnic titles. Christine Nordby, publisher of *Currents*, MPMI's West Coast newsletter, says "Ethnic is big every place. It's the philosophy of displaying for your demographics."

Fast-track titles in a down market

Some magazines posted double-digit increases for single-copy sales in the second half of 1991. Among them:

	Units (single-copy)	Gains
Soap Opera Weekly	507,131	15.9%
Shape Magazine	503,159	14.2
Vanity Fair	368,998	30.8
Worldwide Wrestling Federation (WWF) Magazine	368,031	20.1
Easyriders	255,242	22.3
Traditional Home	234,667	24.6
Computer Shopper	226,651	16.0
PC Magazine	159,346	22.4
PC/Computing	107,665	43.0
Macuser	81,754	39.6
Flower & Garden	59,713	198.6
Country Music	22,991	50.7

Source: Audit Bureau of Circulations.

Thrift makes a house call

Continued from page 1
service is free for all purchases over $10, with a nominal $2 delivery charge for non-prescription orders of less than $10. What's more, it allows customers to order not only prescription and OTC drugs, but also every other item in the store for same-day or next-day delivery to either their home or workplace.

It involves some 80 Thrift drug stores throughout the Pittsburgh region, which makes the free service available to most consumers within roughly 30 miles of the chain's headquarters. Customers living within five miles of any Thrift store in that region can use the service.

"We are simply responding to our customers' requests for more convenient services, and there's nothing more convenient than having your prescriptions and other products delivered to your home or office," noted Pittsburgh regional vp Dennis Cuff. He said the service would appeal to time-strapped, two-income households, homebound elderly people, mothers with sick children at home and others. "Considering that both adults work in over 70 percent of all households, time is becoming one of the most precious commodities any business can offer," he added.

The new service is being announced through newspaper ROP and circular ads, billboards, in-store signing and other media. Thrift has hired 109 new store-based employees and leased 22 identical, specially-marked cars to provide deliveries. Each car will be based at a host store and will serve three to four stores, depending on location and distances between units. In addition to drivers, new hires include at least one employee at each store to handle and fill phone orders.

Cuff called the considerable expense incurred "an investment" in Thrift's business. "We feel it gives us a definite competitive differentiation," he said. "We're betting on the fact that increased sales will pay for the program."

Customers can take advantage of the service by calling their local Thrift store to place their orders Monday through Saturday. Those calling before 11 a.m. will get their orders the same day, with all office deliveries made before the end of the workday. All of the chain's more than 25,000 store items can be delivered. Payment is made on delivery.

Cuff said prices would not be affected by the service. Indeed, Thrift is promoting the program by giving customers its Preferred Customer Coupon Book with their first order.

"This was not something done as a gut reaction; we've been talking to our customers for more than a year about this, and we've been delivering on a test basis in scattered stores, quietly, for quite some time," Cuff said. "We think this will create a new niche for us."

If the service is a hit with Pittsburgh customers, Thrift will almost certainly take it to some of its other big markets, Cuff indicated. Next in line, he said, could be Philadelphia.

P&G poses new game rules

Continued from page 1
fairs spokesperson Ann J. Smith.

The EDLP policy is intended to bring several advantages to the manufacturer, including a lower average shelf price to strengthen brand recognition against generic and private labels, and also to make production more efficient by eliminating surges caused by forward buying.

Over the past decade, trade promotion allocation has increased as a percentage of overall marketing dollars to reach 44 percent in 1990 compared with 34 percent a decade earlier, in a study by Donnelley Marketing. According to management consultant Win Weber, president of Memphis-based Winston Weber & Associates, Inc., only 25 to 40 cents of a promotional dollar reaches the consumer.

When buying branded product on deal, industry sources generally acknowledge that some retailers reap profits by taking long margins or by diverting part of the buy. But from an efficiency point of view, says Weber, "in HBA, retailers may be buying from 70 to 90 percent on deal. If a retailer is buying 70 percent on deal, it's better to take contract pricing and weigh it on a 12-month basis, eliminating the need for forward buying, taking out the peaks and valleys and discouraging diversion."

The issue appears to be so sensitive and new to the trade that not a single retailer called agreed to be quoted for this article.

P&G's EDLP policy has been in effect since the turn of the year, but not all accounts have seen the presentation, or as an executive from a mid-sized southern drug store chain remarked: "at this point we haven't yet seen a formal proposal from P&G."

The Vons Companies, the largest supermarket and combo operator in Southern California, reportedly has challenged P&G's EDLP strategy. Although the supermarket/combo officials declined to comment, P&G's Smith told *Drug Store News* that Vons and P&G "are working together now to resolve this issue."

A merchandising executive with another large combo chain said, "For any retailer who has built business with [trade] allowances and who has a system that alerts them to deals, it's a tremendous change." He noted that even the EDLP-driven retailers buy on deal, adding, "Wal-Mart and others have promotions in the aisles—and look at the club stores."

Analyst Andrew Shore of Prudential Securities in New York said of the many retailers who apparently disapprove of P&G's pricing policy: "Vons is the first to lend their name to it. Everyone on the retail side has been reluctant to speak out."

Some retailers told *Drug Store News* that with everyday low pricing, many chains will opt to take a long gross margin and negate P&G's intention to focus on brand value. Industry insiders also think some retailers will retaliate by denying selected P&G products prime shelf space. By eliminating trade promotions, P&G could lose market share to manufacturers who pony up for promotions. But Shore points out that since P&G has around 32 No. 1 products across dozens of categories, pushing alternative product could be a costly retail protest. "If consumers don't want it, who cares what you promote?" asks Shore.

One combo chain executive complained that "promotion dollars create excitement and they will be reduced with this program." Although P&G's EDLP policy slashes trade promotions, Smith acknowledges that it still provides for ancillary promotional funds. Weber notes market development funds could also "add freshness to a mundane everyday strategy."

POS data capture is changing distribution logistics and category management. As one marketer noted, the alleged "partnering" strategy of linking a mass merchandiser such as Wal-Mart directly to a manufacturer (for example, P&G) for stock replenishment creates a systems problem for the manufacturer: two different systems will be needed to serve the high-low or on-deal retailer and another for the dead net or EDLP retailer. Clearly two systems are less efficient than one.

In the view of Shore and Weber, P&G's move is progressive. Many retailers would disagree. "I think P&G clearly recognizes the need to put efficiencies into the distribution system in the U.S., and I think the move—while it is very bold—is an appropriate move," said Weber.

But a retail chain executive notes, "there have been studies done that show the profit for the retailer is reduced" when a manufacturer imposes everyday low prices, and he adds, "it's a tremendous change. I would question whether it's in everyone's best interest."

Eckerd reorders merch. team

Continued from page 1
products; Carol Allman, in charge of beauty, photo, cards and stationery; and Al Crossman, who directs convenience and seasonal merchandising.

The group directors used to divide their reporting between both Kelly and Bailey. Both vps continue to report directly to Ron Peterson, executive vp-marketing and merchandising for the 1,675-store drug chain.

These changes will better position Eckerd to achieve not only short-term merchandising objectives, but also the company's longer-range performance goals," said Peterson.

" 'Streamlining' is an overused word, but that's essentially what it is," added Eckerd spokesman Gene Ormond.

JOB MART

JOB MART is an editorial feature for industry executives seeking jobs. It's CONFIDENTIAL and FREE. If you want your ad listed in a future issue, send it to Confidential Box 100, *Drug Store News*, 425 Park Avenue, New York, N.Y. 10022. Please: no more than 40 words. We'll assign a box number. Space is limited. Ads run on a first-come, first-served basis.

(PROSPECTIVE EMPLOYERS: If you'd like to receive resumes from any job seekers listed below, write to: Job Mart Administrator, *Drug Store News*, 425 Park Avenue, New York, N.Y. 10022 or call 212-756-5235.)

Chain Positions Wanted

Highly efficient, motivated and profit generating director of pharmacy, of major food/drug combo stores, available. Seeking position as pharmacist/director or in management. Experience in chain and independent drug stores. Professional, team worker and highly resourceful. Box 3-5500.

Supplier Positions Wanted

Available due to merger: vp-sales, national sales manager or director of national accounts. Extensive experience in food, drug and mass merchandiser trades. Experience in management of direct and broker/representative sales organization. Major consumer products corporate background as well as entrepreneurial company. Successfully launched several national brands. Food and non-food/HBC product experience. International/export experience. Strong history of developing successful sales/marketing teams. Box 3-7500.

Senior level sales and marketing executive with successful management experience in the generic pharmaceutical, HBC and GM industries, utilizing broker and direct sales organizations. Seeks senior level position with small or mid-size company looking to restructure for turnaround and growth. Box 3-7501.

Executive skilled in marketing and sales of consumer products. Experience includes all aspects of marketing management from planning through implementation. Extensive P&L responsibility. Proven history of increasing sales, share and profitability. Successful problem solver and team builder. Box 3-7502.

EXECUTIVE SEARCH INTERNATIONAL
"Bringing the best . . . together."
PLANO, TEXAS 75075 • 1700 ALMA DR. • SUITE 370

We look forward to demonstrating the professionalism upon which "ESI" is founded, and assisting you and your staff in "bringing the best. . .together."

Ed Nalley — Consumer Products/Sales & Marketing/Medical Sales
Allen Broyles and Larry Hunt — Pharmaceutical/Medical Sales
Deborah Pullin, Loren Just, Van Davis — Biomedical Science

Ed's 20 years (15 of these years in management) with General Foods, Johnson & Johnson, J.B. Williams, Alberto-Culver and Ayerst Laboratories gives him excellent working knowledge of the industry. Ed's last 4 years within the executive search industry resulted in national Rookie of the Year for 1988, Top 10 - 1988 & 1989, received Certified Senior Account Manager (C.S.A.M.) status in April 1990 and C.P.C. certification by National Association Personnel Consultants in December 1991.

Partial Listing of Non-Foods Positions:
Call (214) 424-4714
FAX: (214) 424-5314

Partial Listing of Positions Available Now:

- **Director of Trade Relations—HBA—Northeast-Min. 3 yrs exp.**
- **Director of Sales Training—HBA firm—Midwest-Min. 5-7 yrs exp.**
- **First Line Manager—HBA—L.A.—Houston**
- **Senior Brand Manager—HBA—Reports to VP-marketing—Mid-South location**
- **Third-Party Administrator—L.A. Area—Excellent Firm**

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cov. 1, Pgs: 2, 4, 7,

21, 22

(Drug Store News for the

Pharmacist Insert: Cov. 1,

Pgs: 4, 33, 34)

Longs posts sales increase, earnings slip in 52 weeks

WALNUT CREEK, Calif. — Longs Drug Stores announced a 1.4 percent increase in sales and a 7 percent decrease in net income for its 52-week fiscal year ended January 30, 1992, compared with the prior 53-week year.

Sales increased to $2.37 billion from the prior year's $2.33 billion, while sales for the 13-week fourth quarter decreased 4.8 percent to $648.5 million, as compared to $680.9 million reported for the 14-week period last year. Fourth-quarter net income decreased 9 percent.

William Combs, vp-administration and corporate relations, stated: "The depressed economy continues to affect consumer buying habits and, in turn, Longs' financial results. Even with the difficult economic environment, fourth quarter sales and net income would have increased over a year ago if both quarters were measured on a comparable 13-week basis."

Longs implemented POS scanning in selected stores starting in mid-1991, but the fourth quarter was the first full period of scanning for 44 of the chain's 266 stores. "The benefits in gross margins and labor costs stood out as improved over non-scanning stores," Combs told *Drug Store News*.

In 1991, Longs closed three underperforming stores and opened eight locations in California and Hawaii. According to Combs, three sites are currently under construction and Longs anticipates opening nine stores in California and Hawaii during fiscal year 1993. Although Longs operates stores in six states including Hawaii and Alaska, no new sites are currently planned for its Alaska, Arizona or Nevada markets.

The healthcare professionals' **treatment of choice!**

HERPECIN-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC. P.O. Box 812-A, FDR, NY, NY 10150

The **sun** is the **major cause of** cold sores called lip **sun blisters.**

HERPECIN-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC. P.O. Box 812-A, FDR, NY, NY 10150

Flents

SINCE 1927

NEW! 10 PAIR PACK

YOUR CUSTOMERS' CHOICE!

Flents PRODUCTS CO., INC.

P.O. Box 2109, Norwalk, CT 06852 • Tel (203) 866-2581 • Fax (203) 854-9322

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices.

Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved.

POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 6 Mar. 16, 1992

MARKET DIARY:

Largest Dollar Gainer	Merck Co.	$ 7.88
Largest Dollar Loser	Novo-Nordisk	$ – 3.38
Largest Percentage Gainer	Bolar Pharmaceutical	21.11%
Largest Percentage Loser	Longs Drug Stores	– 8.12%

Advances	34
Declines	24
Unchanged	3
New highs	5
New lows	1

	Close 2/18/92	Close 3/3/92	Net Change	Percent Change
Drug Store News Index	4998.34	5089.46	91.12	1.82
Dow Jones Industrial Average	3224.73	3290.25	65.52	2.03
Standard & Poor's 500-Stock Index	407.38	412.85	5.47	1.34
N.Y.S.E. Composite	225.65	228.43	2.78	1.23
Value Line Index	263.56	265.59	2.03	0.77

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 2/18/92	Closing Price 3/3/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.75	4.50	– 0.25	– 5.26	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	23.75	22.25	– 1.50	– 6.32	24	0.12	0.54	25.25	15.50
OTC	Big B	BIGB	13.00	12.75	– 0.25	– 1.92	17	0.16	1.25	14.50	7.38
OTC	Drug Emporium	DEMP	7.75	8.25	0.50	6.45	—	0.12	1.45	9.63	5.50
NYS	Fay's Inc.	FAY	10.50	10.38	– 0.13	– 1.19	17	0.20	1.93	15.75	8.25
ASE	Genovese Drug	GDX.A	12.13	12.13	0.00	0.00	13	0.24	1.98	14.75	7.88
NYS	Longs Drug Stores	LDG	38.50	35.38	– 3.13	– 8.12	13	1.08	3.05	44.38	33.38
OTC	Medicine Shoppe	MSII	26.75	27.00	0.25	0.93	20	0.36	1.33	30.75	19.00
NYS	Perry Drug (H)	PDS	10.25	11.38	1.13	10.98	19	0.00	0.00	11.38	5.88
NYS	Rite Aid Corp.	RAD	21.63	21.00	– 0.63	– 2.89	15	0.52	2.48	23.88	17.25
NYS	Walgreen Co.	WAG	35.50	36.50	1.00	2.82	23	0.52	1.42	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	18.88	18.88	0.00	0.00	14	0.40	2.12	26.19	16.00
OTC	Bindley Western Ind.	BIND	20.50	19.25	– 1.25	– 6.10	14	0.04	0.21	20.75	13.50
OTC	Cardinal Distribution	CDIC	32.00	30.88	– 1.13	– 3.52	25	0.08	0.26	38.75	22.50
OTC	Durr-Fillauer	DUFM	22.00	22.00	0.00	0.00	15	0.28	1.27	34.75	17.50
NYS	McKesson Corp.	MCK	33.25	32.75	– 0.50	– 1.50	15	1.60	4.89	40.13	31.75
ASE	Moore Medical	MMD	5.50	6.00	0.50	9.09	32	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	20.00	18.88	– 1.13	– 5.63	21	0.20	1.06	24.25	11.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	63.13	62.75	– 0.38	– 0.59	25	1.20	1.91	69.75	45.13
NYS	American Home Products	AHP	73.88	78.63	4.75	6.43	18	2.60	3.31	86.25	55.25
ASE	Barr Laboratories	BRL	17.88	17.13	– 0.75	– 4.20	36	0.00	0.00	37.50	12.00
NYS	Baxter International	BAX	34.50	36.25	1.75	5.07	18	0.84	2.32	40.88	30.50
OTC	Block Drugs Co.	BLOCA	57.50	56.50	– 1.00	– 1.74	18	0.88	1.56	61.00	43.69
ASE	Bolar Pharmaceutical	BLR	11.25	13.63	2.38	21.11	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb	BMY	77.63	80.13	2.50	3.22	20	2.76	3.44	90.13	73.50
NYS	Carter-Wallace	CAR	108.00	109.88	1.88	1.74	37	1.00	0.91	137.50	58.75
ASE	Columbia Labs	COB	7.50	7.13	– 0.38	– 5.00	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	24.13	23.38	– 0.75	– 3.11	18	0.28	1.20	24.38	14.06
ASE	Forest Labs	FRX	35.38	36.25	0.88	2.47	34	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	8.31	7.88	– 0.44	– 5.27	32	0.00	0.00	9.75	3.31
NYS	ICN Pharmaceutical	ICN	17.75	19.00	1.25	7.04	—	0.00	0.00	25.38	4.50
ASE	Lee Pharmaceutical	LPH	1.38	1.63	0.25	18.18	—	0.00	0.00	2.25	0.75
ASE	Leiner P. Nutrition	PLI	14.50	14.63	0.13	0.86	17	0.00	0.00	14.63	10.25
NYS	Lilly Eli Co.	LLY	75.38	73.38	– 2.00	– 2.65	16	2.20	3.00	87.75	69.50
NYS	Marion Merrell Dow	MKC	33.50	35.38	1.88	5.60	17	0.92	2.60	39.25	27.25
NYS	Merck Co.	MRK	146.00	153.88	7.88	5.39	28	2.76	1.79	169.75	99.50
NYS	Mylan Labs	MYL	33.13	34.13	1.00	3.02	34	0.20	0.59	43.25	22.00
NYS	Novo-Nordisk	NVO	83.38	80.00	– 3.38	– 4.05	18	0.60	0.75	96.00	61.00
OTC	Nutramax Products	NMPC	11.25	11.88	0.63	5.56	33	0.00	0.00	12.13	2.38
NYS	Pfizer Inc.	PFE	70.25	74.88	4.63	6.58	28	1.48	1.98	87.00	50.00
NYS	Pharmaceutical Resources	PRX	6.63	6.50	– 0.13	– 1.89	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	61.50	62.50	1.00	1.63	26	0.56	0.90	69.38	39.00
NYS	Schering Plough	SGP	56.63	59.50	2.88	5.08	20	1.32	2.22	68.00	47.13
NYS	Syntex Corp.	SYN	45.75	49.63	3.88	8.47	25	0.92	1.85	56.00	36.63
OTC	Taro-Vit Industries (H)	TAROF	11.50	11.00	– 0.50	– 4.35	92	0.00	0.00	11.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	23.63	26.38	2.75	11.64	27	0.20	0.76	26.50	11.75
NYS	Upjohn Co.	UPJ	41.13	41.25	0.13	0.30	14	1.36	3.30	49.25	37.63
NYS	Warner-Lambert (L)	WLA	68.25	65.13	– 3.13	– 4.58	62	2.04	3.13	82.25	64.13
OTC	Zenith Labs (H)	ZENL	20.00	23.00	3.00	15.00	62	0.00	0.00	24.25	6.50
Other retailer transactions											
NYS	Albertson's	ABS	41.88	43.50	1.63	3.88	23	0.56	1.29	51.38	32.75
NYS	American Stores	ASC	35.88	36.13	0.25	0.70	9	0.68	1.88	46.19	26.00
NYS	Giant Food	GFS.A	24.25	25.00	0.75	3.09	14	0.64	2.56	31.25	20.63
NYS	Great Atlantic&Pacific Tea	GAP	32.13	32.00	– 0.13	– 0.39	14	0.80	2.50	57.75	25.00
NYS	Kmart (H)	KM	50.63	51.88	1.25	2.47	13	1.76	3.39	53.50	36.88
NYS	Kroger	KR	17.75	18.00	0.25	1.41	16	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	49.38	51.88	2.50	5.06	16	1.48	2.85	55.25	38.25
OTC	Fred Meyer	MEYR	27.75	27.00	– 0.75	– 2.70	16	0.00	0.00	28.75	15.00
NYS	Penney, JC (H)	JCP	59.13	61.25	2.13	3.59	15	2.64	4.31	65.88	47.13
NYS	Safeway	SWY	17.38	18.88	1.50	8.63	29	0.00	0.00	21.63	15.00
NYS	Smith's Food & Drug	SFD	41.75	40.50	– 1.25	– 2.99	25	0.44	1.09	43.75	30.25
NYS	Wal-Mart	WMT	51.38	53.25	1.88	3.65	38	0.16	0.30	59.88	35.63

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

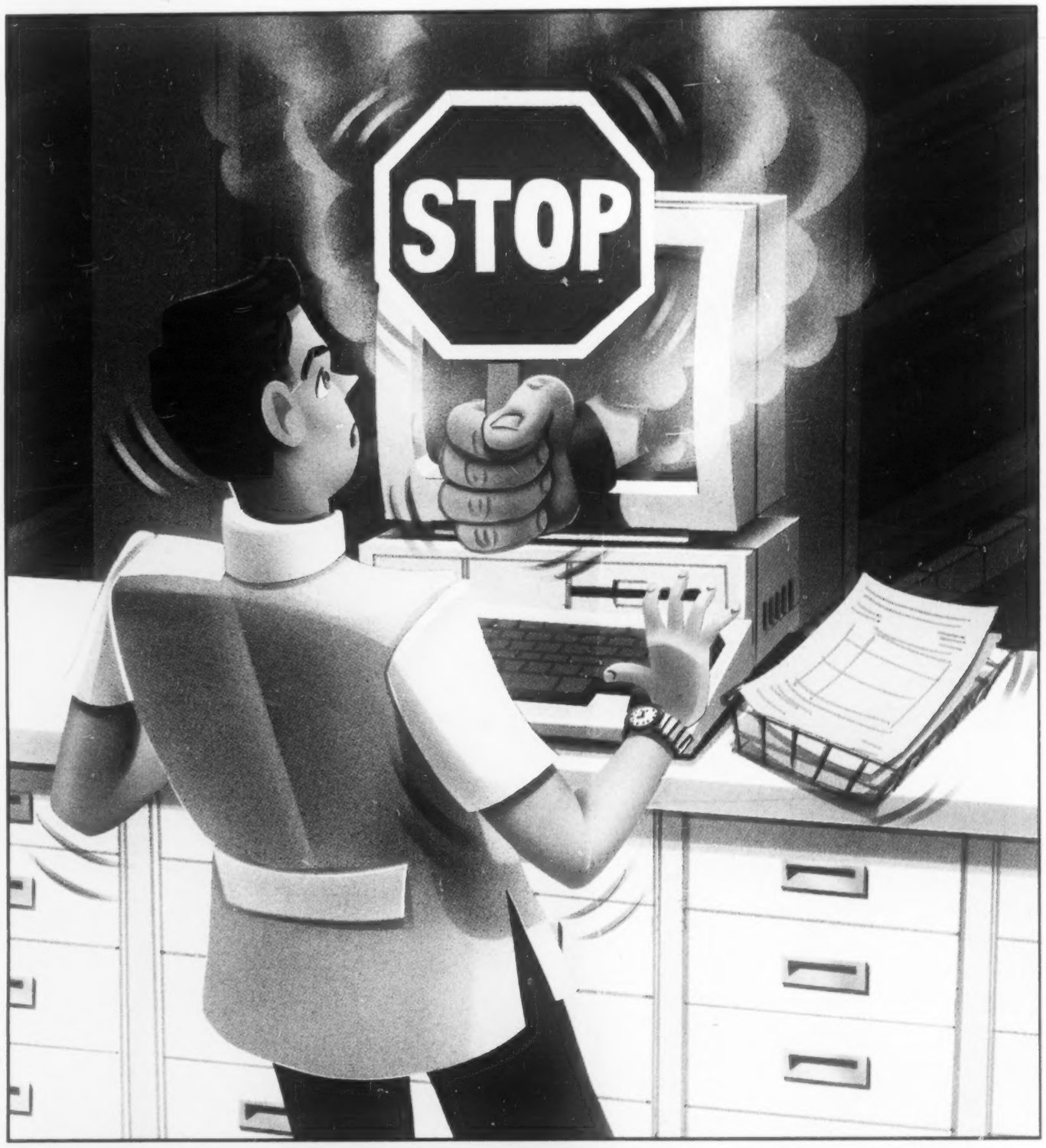
DRUG STORE NEWS®

VOL. 2/NO. 3 | The Journal of Retail Pharmacy | MARCH 16, 1992

NEWS FOCUS

• At a town hall meeting of pharmacy deans and faculty at Amelia Island, Fla., this month, AACP's Commission to Implement Change in Pharmaceutical Education defended its recommendation for a new single, entry-level Pharm.D. degree. Meeting organizers and attendees were steeled for a battle, but the expected fireworks never materialized. Instead, proponents and opponents of the six-year doctorate presented gentlemanly concern over resource issues, student-faculty ratios, implementation dates, lack of significant practitioner input, and state accreditation problems. Some AACP members, citing "vagueness" and "leaps of faith," showed clearly the lack of consensus on the association's latest Position Paper 3. Even while resolving to demonstrate they "are in control of pharmaceutical education and will reject those who won't be partners," AACP plans to take the input from this meeting, plus any written comments received, and hold open hearings at the annual meeting in July before voting on the paper.

• Congress is already talking up new safety and efficacy requirements for OTC drugs in the wake of a controversial General Accounting Office study. According to GAO, FDA has too little information about the safety of non-prescription medicines already on the market, and too little authority over these products. For their part, proprietary drug manufacturers are outraged at the GAO findings — and fearful that the controversy might cause FDAers to move slower on Rx-to-OTC switches.



Third party future shock: pharmacy's DUR dilemma

Ready or not, federally-mandated Drug Utilization Review is on the way! Proponents say DUR will offer a Brave New World, but critics warn it may create an Orwellian nightmare. Either way, it stacks up as a high-stakes gamble packed with pocketbook implications for third-party programs, patients, taxpayers and pharmacists. Page 21.

Rx delivery boosts service 38

CE: Counseling the smoker 49

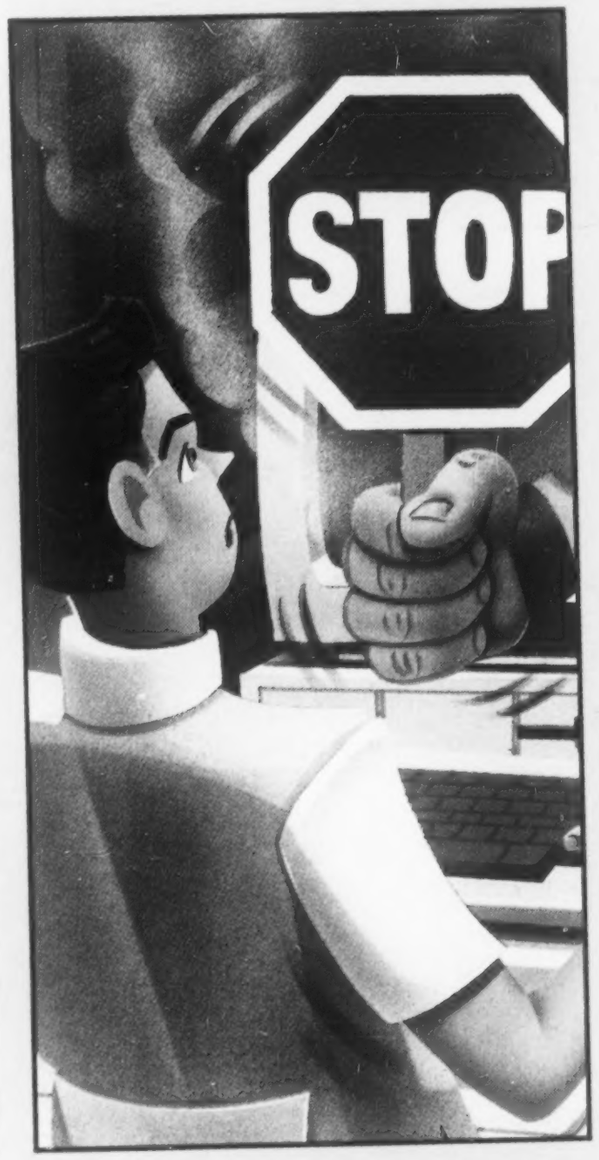
for the PHARMACIST

contents

FEATURES

Cover: Welcome to the DUR Dilemma

Is Drug Utilization Review a lower cost option which offers more rational drug therapy or an Orwellian system dependent on computer decisions? The system may be a bit of both, and it's on its way.
Page 21.



Page 21

First Aid: Variety gives drug stores the edge

First aid is no longer a cotton ball and gauze business. Customers respond to a wide assortment, and drug stores are the outlets which can provide the goods.
Page 33

The analgesic segment game

Analgesic manufacturers are targeting their products to specific customer needs. That trend, and new product introductions, are contributing to growth in the category.
Page 34

The delivery man is back

Independents don't have the delivery market cornered anymore. Drug and supermarket chains are beginning to see the merit of service that extends to the customer's doorstep.
Page 38.

DEPARTMENTS

Opinion 6
Exec view 8
Regional recap 10
Third-party news 13
New products 19
Drug watch 37
Independent focus 40
Physician's perspective 42
Association news 44
Tech training 45
Continuing education 49

Variety, mix gives drug stores edge in first aid

What is the key to a successful first aid section in drugs stores? The answer: breadth of mix.

As drug stores, supermarkets and mass merchandisers battle for market share, only drug stores typically offer the diversity of products and the in-store consultation needed by consumers facing a sometimes baffling array of first aid items. It can give drug stores the edge.

"The breadth of the mix is important," said Joe Potts, buyer for the first aid category at Pay Less. "Drugs stores need to have as many options for consumers as possible."

Pay Less carries about 350 SKUs of first aid items, including ointments, dressings and bandages and antiseptics.

Indeed, in the dressing and bandages segment, Pay Less carries nearly 190 SKUs, the lion's share of the first aid category. No longer confined to cotton balls and gauze, wound care products include a wide assortment of interactive dressings, posing a challenge for store space and the time a pharmacist has for professional consultation.

Sales up 6 percent

At the retail level, the first aid category rang up $362.2 million in drug stores in 1991, up 6 percent over the year-earlier period, according to Towne-Oller & Associates. The top-selling items were the antiseptics, which commanded 43.3 percent of the category, up 3 percent from 1990.

Amid the growth in wound care products, the titan of the first aid industry, Johnson & Johnson, is making a major push, betting that an aging population and ever shorter hospital stays will lead to a growing need for post-operative at-home care.

"Johnson and Johnson sees home health care as a very important market," said Jeff Lebow, a J&J spokesman. "The need is attributable to an aging population and shorter hospital stays," he said.

The company is currently marketing about 46 SKUs of consumer home health care products, ranging from Nu Gauze packing strips to Kling sterile conforming bandages and Surgipad dressings. The company is also providing videotapes to help explain the category to consumers as well as continuing education programs for pharmacists.

Despite the need for wound care dressings at the drug store level, it is still a relatively new phenomenon and consumers are baffled by the array of products from J&J and Kendall-Futuro, the two big manufacturers in the category, according to chain buyers as well as independent retailers.

Education needed

"Consumers need to be more educated about wound dressings," said a buyer from K&B drug stores, who asked not to be identified. "The dressings do OK, and we think it could be a growth segment with consumer education."

"Consumers are definitely confused," said pharmacist Mitch Miller, co-owner of Belmont Drug in West Babylon, N.Y.

Another independent, Gary Reynolds of Valu-Rite Pharmacy in Macleansborough, Ill., agreed. Reynolds said wound care items are "labor intensive" for store staff and confusing to consumers. He is installing a videotape from J&J in the hopes of clarifying the category for consumers. One way to solve the confusion, retailers say, is through professional consultation.

"The amount of knowledge you have to have now is increasing," said Miller. "People used to come from out-patient surgery with prescriptions for wound dressing I had never seen before. It caused me to go out and learn more about it."

Unlike other retailers who have had to pare down the number of wound dressing items, Miller said that in his store he had to expand the section to accommodate all of the patients getting out of the hospital early.

"We are seeing a lot of same-day surgery patients, and more and more elderly people are coming with oozing wounds," said Miller. "You have to have a diversified stock to treat these wounds and you have to know how to apply the dressing."

Some retailers have not had as much luck with wound care products. At Birmingham, Ala.-based Harco Drug, buyer Charles Monk said wound care items have been moving slowly, and promotional videotapes from J&J and advertising have not helped that much.

"There was not as big of a demand as we thought," said Monk. "We thought that because of the aging population, self care would be big. But with a lot of these items, it takes time to educate the consumer. They are used to getting dressings at the hospital."

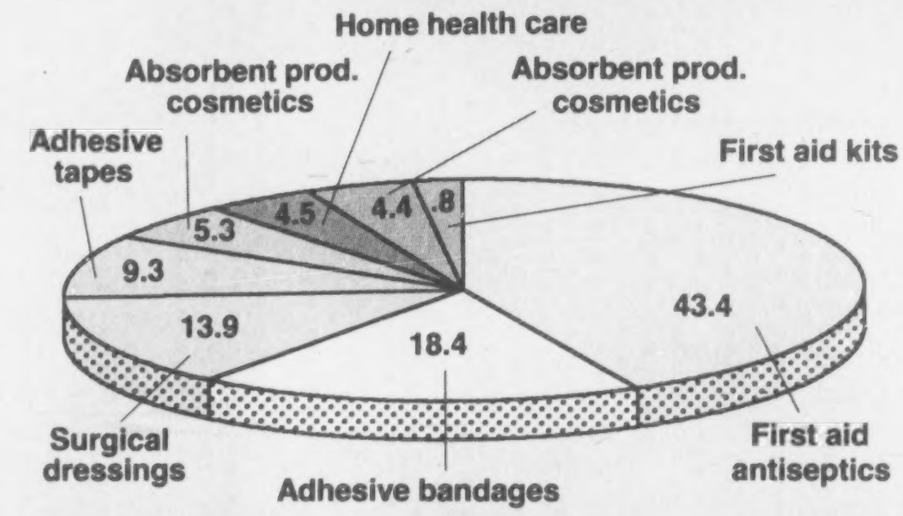
Kids' adhesive bandages

One segment in the first aid category where little education is needed, retailers agree, is children's adhesive bandages. The smaller-sized bandages, although more expensive, have found a following among a number of retailers, who report that the number of licensed characters, from GI Joe to the Muppets and Mickey Mouse, has mushroomed.

"Kids like the characters," said Miller of Belmont Drug, which carried six SKUs of children's adhesive bandages. He said that children are more likely to wear the bandages if they recognize the characters.

Kendall-Futuro is hoping to build on the success of its line of children's adhesive bandages, which feature the McDonald's characters, with a new line of neon adhesive bandages aimed at teens. It is backing its neon bandages with a full-scale promotional program to consumers and the trade. ■

Drug store share of first aid sales
(12 months through December 1991)



Total 1991 drug store analgesics sales: $1,010.6 million.

Source: Towne-Oller & Associates-Drug Store Audit.

Drug store top-moving first aid antiseptic products
(12 months through December 1991)

Fungi-Nail Tinacture 1 oz.
Neosporin ointment .5 oz.
Neosporin ointment max. strength .5 oz.
Blue Star ointment 2 oz.
Neosporin ointment 1 oz.
Neosporin cream .5 oz.
Betadine solution 8 oz.
Benadryl max. strength cream 2% .5 oz.
Campho-Phenique gel .23 oz.
Lanacaine cream 1 oz.

Source: Towne-Oller & Associates-Drug Store Audit

Segmentation in analgesics spurs growth

Segmentation is quickly becoming the key to the analgesic market. Manufacturers, convinced that consumers are no longer content with one multipurpose analgesic, are repositioning existing products to appeal to specific market segments and slanting new products to fill specific niches.

"Companies are chopping up the market as they identify the customers they're going after," said Harold Milliken, executive director of U.S. marketing for Upjohn's Consumer Products Division. "It's not efficient for all of us to chase after the same customer. Nuprin, for example, gave up the headache segment to concentrate on sports injuries and they've done well."

Milliken said that Upjohn's Motrin IB product has its own niche as a prescription-to-OTC switch—a niche that he says has contributed to its 54-percent growth last year.

"Our research shows that consumers use aspirin, acetaminophen and ibuprofen for different things. It's rare for them to have only one analgesic in the home," he said.

That may be one reason that in the first 10 months of 1991, total sales of internal analgesics reached $2.2 billion, according to Nielsen Marketing Research—a jump of 7.3 percent over the same time period in the previous year.

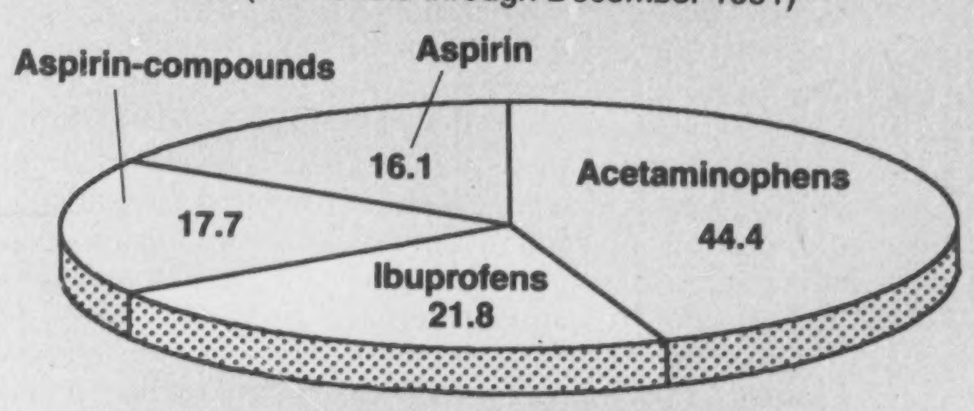
Other manufacturers are jumping on the segmentation bandwagon. Whitehall followed a similar strategy of repositioning its Anacin-3, which was renamed Aspirin Free Anacin in October. Bayer's Bayer Plus, a stomach guard formulation, and Therapy Bayer, designed for continual use rather than quick pain relief, are two other examples.

Kramer Laboratories has also created a niche with its Halfprin, a product targeted specifically to patients who wish to use aspirin to reduce their risk of myocardial infarction. The product, in the 165 mg. strength recommended for that indication, is enterically coated to minimize gastric irritation. The newest segment of products are the so-called PM formulations that combine a pain reliever with a sleep aid. Excedrin, Tylenol and Bufferin have introduced PM products, and Midol is planning one for launch soon. Analgesic buyers say that the products are showing strong growth.

"We were one of the original test markets for Excedrin PM," said Jim Culpepper, buyer at Pay Less Drug Stores. "At first, we merchandised them with sleep aids and they didn't do well there. Once we moved them to our analgesic area, they took off and continue to do very well."

Drug store share of analgesic sales

(12 months through December 1991)



Total 1991 drug store first aid sales: $362.2.

Towne-Oller & Associates-Drug Store Audit

The PMs have also had swift sales at Bill's Drugs, Perry and Kerr. Bill's buyer Liz Spera credits the products with sparking growth in her analgesic department.

"They are creating a new niche," said Paige Donnald, buyer at Kerr. "I don't see them cannibalizing other analgesics or the sleep aids."

Buyers also like the products because, since they are recent introductions, their pricing is not as competitive as pricing on established products. "You have to make your margin somewhere," said Mildred Walker, buyer at Richmond-based Standard Drug Co.

Advertising fuels sales

The advertising that's being poured into the new products also helps fuel sales. "When vendors stop advertising, the numbers slide," said Charles Monk, buyer at Tuscaloosa, Ala.-based Harco Drugs. "When we add items, we need the support from that advertising."

He said he times his category advertising to correspond with manufacturer campaigns. Harco, he said, promotes the category heavily, using shelf talkers and advertising in FSIs twice monthly.

Established products that have strong consumer advertising presence and high consumer acceptance levels continue to move well.

Motrin IB is the hottest ibuprofen at Harco. Advil and Motrin IB have strong sellthroughs at Bill's, where Spera says ibuprofen products have the strongest sales. Her strongest ibuprofen sales, however, are coming from private label. The chain stocks one size of both private label regular and extra-strength products in tablets and caplets.

Acetaminophen sales, she said, are dominated by Tylenol. Those leads, she said, also are dependent on how much advertising the vendor does.

While chain drug stores may be doing more business in ibuprofens, acetaminophen sales are dominant at independents.

"Ten to one over anything else, our biggest seller is Tylenol," said Bruce Greenwald, owner of Regal Pharmacy in the Bronx. "Ibuprofens are selling, but the sales do not equal Tylenol." He stocks several SKUs of Tylenol in gel caps and caplets.

Orlando Pharmacy owner John Davis says when it comes to ibuprofen, Motrin has the highest brand loyalty. "[It] carries some weight, but customers are willing to switch to lower priced items when they are on sale." He estimates that 20 to 30 percent of purchases are based on brand loyalty at his store.

Although sales of ibuprofen and acetaminophen often overtake aspirin, sales of the old standby are not diminishing.

"Aspirin is still getting a lot of press so sales flip-flop over time," said Monk. Greenwald said that recent studies indicating aspirin as the best treatment for arthritis has increased sales at his independent. ■

Drug store top-moving analgesic products

(12 months through December 1991)

Tylenol Extra Strength Gelcaps 50
Tylenol Extra Strength Caplets 100
Tylenol Extra Strength Caplets 50
Advil Tablets 50
Tylenol Extra Strength Gelcaps 100
Advil Tablets 100
Tylenol Extra Strength Caplets 175
Tylenol Extra Strength Gelcaps 150
Tylenol Extra Strength Tablets 100
Advil Tablets 24
Tylenol Extra Strength Caplets 24
Tylenol Extra Strength Tablets 60
Tylenol Drop .5
Tylenol Extra Strength Tablets 30
Tylenol Extra Strength Gelcaps 24
Advil Tablets 250
Tylenol Extra Strength Tablets 200
Tylenol Elixir 4
Bayer Aspirin 100
Ecotrin Tablets 100
Advil Caplets 100
Advil Caplets 50
Advil Caplets 24
Anacin Tablets 100
Excedrin Extra Strength Tablets 100

Source: Towne-Oller & Associates-Drug Store Audit.

C5150-2

The newspaper of drug store retailing

April 6,1992

DRUG STORE NEWS

Vol. 14 No. 7

A Lebhar-Friedman publication

Sells: 'Reinvented' Revco ready for battle

TWINSBURG, Ohio — Like the mythical phoenix reborn in the fires of its own destruction, Revco D.S. will emerge from its financial hell a far stronger company. Indeed, Revco today bears little resemblance to the teetering, overextended retail giant that collapsed into bankruptcy nearly four years ago.

"We have taken advantage of this time in bankruptcy protection to reinvent our company for the decades ahead," said chairman and ceo Boake Sells. "The last four years have been useful in that we have created a highly efficient machine for a very competitive industry."

Once it clears Chapter 11, Revco's first order of business will be the creation of a new board of directors, Sells told *Drug Store News*. The board will consist of Sells, cfo Greg Raven, David Schulte and Sam Zell of Zell/Chilmark Partners, and seven other directors chosen by Revco's trade and noteholder creditors. Revco will also begin staffing up in a few key merchandising and support positions at headquarters.

"We have some jobs we'll have to hire for right away," said Sells.

One thing that is not likely to change is Revco's store count or current, nine-state market reach. "Strategically, if you wanted to close stores, you wouldn't wait until you

See **Revco** *page 45*

LATE NEWS

• PONTIAC, Mich. — Perry Drug Stores has filed with the SEC to sell another 2.75 million shares of common stock, boosting outstanding shares to about 13 million. Proceeds from the sale will go to pay down the company's debt. Chairman and ceo Jack Robinson will also sell 500,000 shares from his own holdings.

• TWINSBURG, Ohio — Revco D.S. has promoted Ken Rogers to the post of Southern regional director of operations, based in Charlotte, N.C. Rogers, 42, joined Revco in 1989 as a district manager. The Kroger Co. veteran will direct operations of 10 Revco districts comprising 200 stores in eastern North and South Carolina.

FEATURES

Price/value lights up tobacco market

The rapid growth of low-price and value-oriented cigarettes belies the steady decline in overall tobacco sales. **Page 37.**

FDA confusion caps whiteners

Teeth whiteners have been stellar but smiles have been temporarily dulled by FDA confusion about product status. **Page 9.**

208 3-DIGIT
****
0124457 DR 9213 011/0194S
ATTN: SRI
CONGRESSL INFO SVC
"ECO E N HWY
MD 2081Y

SECOND CLASS

Rite Aid grows 'bantam,' sharpens its price talons

Prototype uses cut cases, shelf talker promotions and a new $1 section to highlight value.

By Barbara White

SHIREMANSTOWN, Pa. — Rite Aid has put price and value into sharper focus in its new expanded prototype store.

The format is a departure for Rite Aid. The New Cumberland, Penn. store, which is located about 10 miles from corporate headquarters and serves as the chain's prototype, spans nearly 8,000 square-feet and includes over 6,900 square feet of selling space.

But the news here isn't just more space and wider aisles. Rite Aid is adding more promotional food and HBA items to its mix and is displaying those featured buys in cut case fashion. It's a strategy that's designed to give the chain a sharp price image.

All new openings and redesigns will follow the format. Here are some highlights as to how Rite Aid will look in the '90s:

• Cherry red and a vibrant blue are used on signage and aisle stripes. New recessed lighting that runs across the store has replaced fluorescent front-to-back lighting. The new lighting is softer and more flattering to merchandise. Cherry-red aisle markers run the width of the store, adding some color to the aisles and creating a uniform look.

• Outside aisles are widened to 5 feet, while the center promotional aisles run 7 feet across. The

See **Rite Aid** *page 45*

The prototype's $1 section will be rolled out to 1,600 stores this year. The new Rite Aid format stresses price and value.

Drug Emporium gets nods on sweeping restructure

By James Frederick

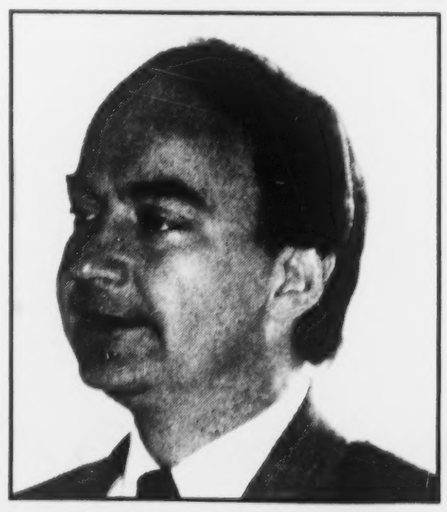
COLUMBUS, Ohio — Store managers, vendors and Wall Street are generally giving a thumbs-up to sweeping changes now underway at Drug Emporium aimed at centralizing its buying, marketing and accounting efforts to boost earnings.

Drug Emporium announced the changes in a series of meetings with its employees and board of directors, its suppliers and a number of retail stock analysts over the past two months. Hand in hand with the shift in management responsibilities will be a determined push to upgrade information gathering capabilities through POS and other retail technology.

In line with the restructuring, the deep discounter has made several key management changes in recent months. Steven Pohlit, a veteran of Arthur Andersen & Co., has been brought in as chief financial officer. Former regional vp Terry Ruh has

See **Drug Emporium** *page 45*

Phil Wilber



Gary Wilber

Coulombe and Rocheleau take key spots at Thrifty

By Allene Symons

LOS ANGELES — In a surprise move to beef up top management for Thrifty Corp.'s turnaround, parent Pacific Enterprises has named entrepreneur Joseph H. Coulombe as Thrifty Corp. executive vp-retailing.

The appointment creates a new team, with Thrifty Drug ceo and president William Yingling reporting to Coulombe, and also shifts Yingling's title from chairman of Thrifty Corp. to co-chair.

At the same time, Thrifty Drug Stores named Gary Rocheleau, its senior vp-merchandising and marketing, to assume the duties of former vp-buying, Robert LaFerriere. LaFerriere recently resigned the position to join Florida-

See **Thrifty** *page 45*

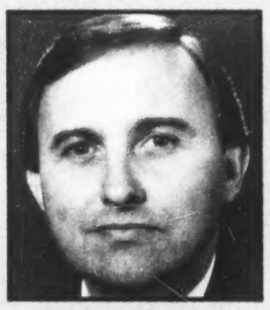
NEWS IN BRIEF

American names Lund co-ceo

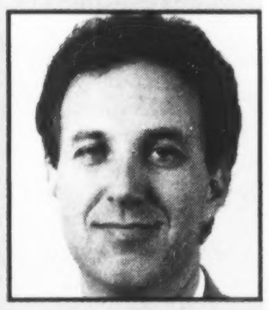
SALT LAKE CITY — In line with its "planned senior management succession," American Stores has named cfo Victor Lund to serve alongside president and ceo J.L. Scott as co-ceo.

Lund, 44, will eventually replace the 62-year-old Scott, who will retire after a "transition period."

F&M promotes Weissert, Keller



Weissert



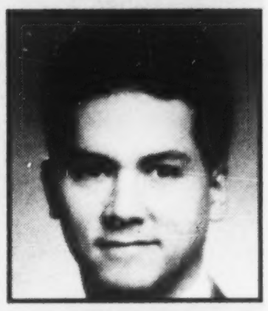
Keller

WARREN, Mich. — F&M Distributors has promoted Earl Weissert to executive vp, in charge of store operations, traffic and distribution, and pharmacy. The six-year company veteran was last senior vp-merchandising for the 112-store off-price drug chain.

Replacing Weissert as senior vp-merchandising is Matthew Keller, a veteran of PACE Membership Warehouse. Keller, who last served as vp-merchandising for F&M, will head up all merchandising division operations.

The appointments beef up senior management under F&M president and ceo Frank Newman, in the wake of the chain's expansion as a nine-state, $800 million operation.

Arbor names new GM director



Nakamura

TROY, Mich. — Senior buyer-sundries Michael Nakamura has been promoted to director-general merchandise purchasing for Arbor Drugs.

Nakamura, a six-year veteran of Arbor's purchasing department, will report to vp-purchasing Dennis Wozniak. His new responsibilities will include developing the buying plan for seasonal and promotional merchandise for the chain's 121 drug stores, overseeing general merchandise purchasing and managing direct imports.

Med Shoppe wins performance award

ST. LOUIS — Medicine Shoppe International, Inc., a network of over 900 franchised pharmacies, was named as a recipient of a 1992 High Performance Retailer Award by the Management Horizons Division of Price Waterhouse and *Chain Store Age Executive*. The awards are given to companies that consistently demonstrate an ability to outperform the marketplace.

Cotton heads new Durr Drug

MONTGOMERY, Ala. — Durr-Fillauer Medical, Inc. has renamed its wholesale drug division Durr Drug Company, Inc. M.W. Cotton, who has been with Durr-Fillauer for 40 years, is the president of the newly-formed subsidiary.

The company has also formed a subsidiary of its former medical-surgical division, Durr Medical Corp., which will be headed by president Cullen F. Smith.

IN THIS ISSUE

HEALTH AND BEAUTY AIDS

Teeth Whiteners 9-10

GENERAL MERCHANDISE

Tobacco 37

COSMETICS AND FRAGRANCES

Beauty Beat 40
Category in Motion 40

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Product Updates 38
Supplier News 39
Store Manager Training 42
People in the News 44
Finance 46

Fay's '92: core categories, market penetration will rule

LIVERPOOL, N.Y. — A $630,000 settlement of a lawsuit by the State of New York, in conjunction with the New York State Employees Prescription Program, cut into Fay's Inc. fourth quarter and year-end earnings. *(See related story, page 6.)*

Despite the one-time charge, Fay's chairman Henry A. Panasci, Jr. cited gains in core merchandise categories that helped generate earnings otherwise comparable to the prior year.

The chain reported net earnings for the year ended Jan. 25 at $8.7 million compared with $11.1 million a year earlier. Revenues for the year rose 24.3 percent to a record $836.2 million, reflecting the acquisition of Carls Drug Co., Inc., compared with $672.6 million a year earlier. Comparable store sales were up 5 percent.

In the fourth quarter, net earnings fell to $4.5 million because of the lawsuit settlement compared with $5.0 million in the same year-earlier period. Revenues for the fourth quarter rose 25.3 percent to a record $239 million from $190.7 million in the year-earlier quarter. Comparable store sales increased 4.4 percent.

During the past year, Fay's purchased Carls, and it is currently operating 43 of that chain's locations as Fay's Drug Stores.

Panasci said that with the costs of the purchase behind the chain, Fay's is now poised to reap the full benefits of market penetration provided by the acquisition.

Fred's steps up with stock offer, eyes possible 80-pharmacy addition

MEMPHIS — The aggressive addition of as many as 80 new pharmacies is planned by Fred's, Inc., a discount general merchandise chain, to help the company fuel its financial turnaround and boost profits.

At the same time, the 144-store retailer undertook an initial public offering on March 19, in which it sold 3.3 million common shares to the public at $14.50, and then saw the price rise to $16.50 the following week.

Atlanta-based Robinson-Humphrey Company, Inc. and Memphis-based Morgan Keegan & Company, Inc., were lead underwriters on the issue.

Fred's has already enjoyed an increasing degree of success with its 45 existing pharmacy operations. Pharmacy sales increased from 7.2 percent of store sales in 1988 to 12.1 percent in 1991. Another 15 pharmacies are slated to open in 1992, and in the succeeding three years, between 45 and 65 new pharmacies will be opened, reported company officials in the IPO prospectus.

It's no wonder Fred's officials are bullish on pharmacy. Drug sales help account for an even larger part of overall sales at the chain's larger, full-line stores, those with both pharmacy and apparel departments. Fred's operates 38 full-line stores and pharmacy accounts for 26.4 percent of total store sales in this format.

Of the existing 99 Fred's stores without pharmacies, roughly half have the potential for pharmacies to be added. In most of the cases, company officials intend to acquire existing independent pharmacies or acquire customer lists from retiring pharmacists so that profits can be realized sooner.

The chain plans to add 10 new stores in 1992 and another 40 to 60 in the succeeding three years. Approximately 80 percent of the new stores will have pharmacies, the prospectus said.

Fred's was founded in 1947 and operates in eight southeastern states, with most of its stores concentrated in markets of fewer than 15,000 people in Mississippi, Arkansas and Tennessee. Fred's generated $291 million in sales in the fiscal year ended Feb. 1, 1992.

The chain is one of 116 IPOs that have been sold so far this year. Barring a downturn in the market, 1992 is expected to exceed 1991's record-setting dollar volume level. More than 300 issues totaling $25.5 billion were sold in 1991, according to Standard & Poor's Corp.

Bergen Brunswig's Emil Martini, Jr. dies

ORANGE, Calif. — Emil P. Martini, Jr., chairman of the board of Bergen Brunswig Corp., died at his home in Carson City, Nev. on March 16 after a long illness.

Martini, who was 63, retired as ceo of Bergen Brunswig in August 1990. He began his career in wholesale distribution in 1952 as buyer in training with New Jersey-based Bergen Drug Co., a regional pharmaceutical distributor founded by his father. After his father's death, he was elected president of the firm in 1956. At that time the company's sales were $10 million.

Martini

In 1969 Martini negotiated the acquisition of Brunswig Drug Co. of Los Angeles and began developing the company into a national distributor of pharmaceuticals and other health care products. For the fiscal year ended August 31, 1991, Bergen Brunswig's sales were $4.8 billion.

He was instrumental in the development of one of the industry's first computerized inventory management, accounting and automated order entry systems. In recent years, he promoted development of electronic data interchange and expanded the company's system of automated regional distribution centers.

Born August 9, 1928 in Teaneck, N.J., Martini received his B.S. degree from the Purdue University School of Pharmacy in 1950, and then registered as a pharmacist in New Jersey.

In 1990 he was co-recipient (with Anthony A. Vallario) of the Information Management Partners in Leadership Award. Martini was named co-recipient, with his brother Robert E. Martini, of the 1987 National Wholesale Druggists' Association Timothy Patrick Barry Award. Robert E. Martini succeeded his brother as ceo of Bergen Brunswig in August 1990.

Charles Trefrey, president and ceo of the National Wholesale Druggists Association, said: "Our industry has lost an inspired and inspirational leader. I have lost a longtime friend whose support I have felt over the years. We are, however, all thankful that there is so much of Emil in Bob, plus his own wonderful characteristics."

Walgreen Co.'s gifts to inner city show returns

IN THE MARKET
BRUCE BUCKLEY

In 1989 the Walgreen Co. provided a four-year grant to Chicago's Midtown Center to fund a special one-on-one tutoring program for boys in the city's Near West Side section. The approach was innovative in that it focused on impressionable youngsters at the fourth-, fifth- and sixth grade levels, rather than on older, less malleable teenagers.

The idea was to extend a helping educational hand to boys at an age when they are especially vulnerable to being lost forever in an overburdened educational system. The program mixed in character-building sessions with the tutoring and sweetened the whole package with recreation and sports. It also put a big emphasis on family involvement as a motivating force.

Walgreens' gift to the Midtown Center program was consistent with its quiet approach to corporate giving. There was no fanfare and no attempt to capitalize on the public relations value of the grant. Walgreens saw it as a chance to give back to a community which had contributed to its success, and at the same time to help youngsters who would one day be part of its customer base and potential workforce.

We found out about it shortly after its inception in 1989 and did a small piece. A longer article followed in our March 1990 special Walgreens issue. A few months later *Drug Store News* contributed a grant of its own, through Walgreens, to help provide a stable location for a similar Walgreens-supported program for young girls in the same Near West Side section of Chicago.

That was almost two years ago. Curious about what had happened in the meantime, I called Tom Mammoser, Walgreens' director of corporation communications, and learned that the company was just about to release a report reviewing the program's accomplishments.

The report, commissioned by Walgreens and researched by the staff of the Chapin Hall Center for Children of the University of Chicago, landed on my desk a few days later. Titled "I Want to Be an Engineer. . .Like You," the report was a glowing account of the interaction between young tutors from universities and the professions and the mostly motivated youngsters and how the bonding had helped both groups.

"The One-on-One program at Midtown Center exudes vitality," the research team wrote. "It gives one a hopeful sense of what can be done when a capable organization helps one adult and one child to become friends and grow stronger together."

I called John Kilcran, program director for the One-on-One program at the Midtown Center, to get a first-hand account of what had been happening. Kilcran was a volunteer tutor himself before becoming program director last year, and was naturally highly enthusiastic. He told me that Midtown Center as a whole boasted an enviable record in helping young men achieve their academic goals. He said 95 percent of those enrolled in various center activities receive high school diplomas, and 65 percent go on to higher education.

At the Metro Center, the location for the girls' version of the Walgreens program, I talked to program director Jeanne Meier, who said that the girls enrolled in the tutoring program had improved their grades and had their eyes opened to different career possibilities as a result of the extra support and attention given by the tutors. As much as the financial support, she said she appreciated the involvement of Walgreens associates as tutors in the program.

President Bush has talked about "Points of Light," and Walgreens' involvement in these programs represents one of the brighter examples. Of course there are many others in the drug store industry, some of which we'll report on in future issues. These stories are especially remarkable at a time when hard-pressed retailers are trying to wring everything they can out of their expense lines.

Proposed safety laws may be confrontational

WASHINGTON PERSPECTIVE
KEN RANKIN

Compared to a coal mine, a meat packing plant or an asbestos factory, the typical drug store probably is a pretty safe place to work.

But that's not to say employees don't get hurt in stores or warehouses, or that the industry shouldn't do more to enhance the health and safety of retail workers.

One approach that some drug chains have found successful is to seek input on workplace safety issues from employees themselves.

But should Congress now pass legislation *mandating* employer-employee cooperation is this area?

Like it or not, that is exactly what's coming down the pike here in Washington.

The bill is called "COSHRA"—the Comprehensive Occupational Safety and Health Reform Act—and it would require drug stores and other businesses to set up joint labor-management committees responsible for overseeing the employer's workplace health and safety activities.

We're not just talking about regulating major drug chains or other large businesses. Under COSHRA, an independent pharmacy with as few as eleven employees would be required to establish safety and health committees with representatives from both labor and management.

By law, these new committees would be responsible for such areas as reviewing all existing safety and health policies, investigating work-related injuries or illnesses, screening complaints from employees and conducting regular inspections of the workplace.

But that's just for starters. In addition, COSHRA would:

- grant federal OSHA agents broad new powers to close businesses or impose restrictions on employers without waiting for legal niceties such as court rulings;
- permit employees to refuse to work if they have any "apprehension of serious injury;"
- require employers to develop written programs offering workers training and education in occupational safety and health issues;
- establish penalties of up to $70,000 for employers charged with failure to cooperate with workers on OSHA; and
- entitle workers to challenge decisions by OSHA field agents and seek even stiffer penalties against employers.

Make no mistake—the concept underlying this legislation is sound. A store or another workplace, where both labor and management take responsibility for job safety, will likely become safer and healthier.

But, by trying to mandate this kind of joint responsibility, Congress will probably create more confrontation than cooperation on workplace health and safety issues.

DRUG STORE NEWS®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Assistant **Carine Dabady**

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **John Kenlon**
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Area Manager: **Amanda Cimon**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAlear Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Price/value segment lights up sagging cigarette market

The hottest action in the cigarette market is on the low-price and value-oriented end of the business, whose rapid growth belies the steady decline in overall tobacco sales.

"The price/value segment was about 25 percent of the total [cigarette] market in 1991, vs. 19.2 percent in 1990," said industry guru John Maxwell Jr., an analyst for Wheat First Securities and author of *The Maxwell Report*. "That's a big jump; it means that one in four unit purchases are now in value brands."

"Obviously," agreed Robbie Ashe, a spokesperson for Brown & Williamson Tobacco Co., "the most dramatic trend in the business now is the growth of the value-for-money segment."

Chain drug buyers agree most of the industry's growth in demand is in the segment which includes repositioned, "value" brands like RJR's Doral and Brown & Williamson's Viceroy, branded generics and "sub-generics" like Philip Morris' Cambridge, B&W's Richland 20s and Liggett's Pyramid, and the "black and whites."

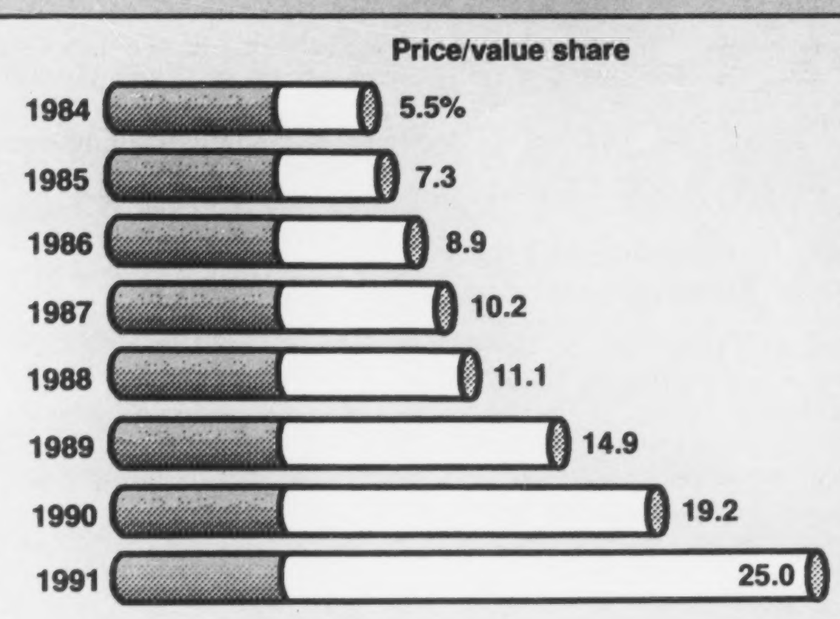
"The tobacco companies are using the lower-priced segments to keep customers attracted. . . and we see that trend continuing," said K&B tobacco buyer Peter Clarke. "Our full-priced brands dipped about 2 percent in unit volume last year. . . but the sub-generics picked it up."

Maxwell told *Drug Store News* he foresees the low-price/value segment notching up steadily to more than 30 percent of the business. He acknowledged that the trend "adversely affects profitability," at least for manufacturers.

Hook Drugs merchandise manager Mark Tow, however, noted that margins were "in the 20s" for some generic brands, about double the margins on full-price brands.

"Pipes, smoking tobacco and cigars also do higher margins," Tow said. "Generally, the faster the turns, the lower the margins."

Price/value segment charges on
(Percentage of units shipped)



Includes black & whites, generics, branded generics and "value 25s."
Source: John C. Maxwell Jr., Wheat First Securities.

Cartons and single-pack displays are linked with home entertainment service center at Phar-Mor, Denver, where store staff can watch inventory while renting tapes and selling CDs.

Lighter makers offset flat sales with fashion, multipacks

In terms of unit sales, disposable lighters aren't setting the world on fire. In keeping with the steady decline in tobacco sales, unit movement in lighters is either flat or down slightly, according to manufacturers, and revenues have been hurt somewhat by the inroads of super-cheap knockoffs from the Far East.

No matter. Lighters still constitute a big-league category and a front-end, high-impulse favorite for many drug chains. Unit sales top out at 500 to 600 million a year, according to market leader Bic—and are as high as 625 million, according to rival Cricket Lighters.

What's more, like the tobacco companies, the major lighter manufacturers—Bic, Cricket, Scripto and General Cigar—aren't taking flat unit sales lying down. They're fighting back with new, higher-priced fashion disposables, multipacks, new promotional allowances and new prepack display techniques to keep revenues and turns up.

"We're all having to market a lot smarter," said Louise Foerster, group product manager for Bic.

"It's very difficult for manufacturers to capitalize on new innovations or lighter technology, but they're trading up with new styles, colors and fashion," said Ben Cassese, a buyer for Chain Drug Marketing Associates' roughly 75 member chains.

He said new styles and multipacks are keeping unit sales and revenues from slipping in the face of declining cigarette sales. And, he said, drug chains can still make money with the category. "If they carry a full variety and balance low-end and high-end with a good mix, the profits are there. . . but very few chains carry a full assortment" because of cutbacks in space and SKUs.

Perhaps the biggest innovation in lighter technology in years has been the development of child-resistant safety models. Both Cricket and Bic will soon begin shipping child-resistant disposables, and they will prove a natural fit for health-oriented drug stores, according to Pete Delin, vp and general manager of Cricket.

"Child resistance will be a major market force in the 1990s [for lighters]," said Delin. "Eventually, all lighters will [have that feature]."

Cigarette sales shifts to c-stores

Trade class	Market share 1986	1991
Supermarkets	30%	26%
Convenience stores	18	23
Smaller grocery	13	11
Oil retailers	10	10
Drug stores	9	7
Discounters	6	8
Vending machines	8	5
Other	6	10

Source: Brown & Williamson Tobacco Co.

Industry calm despite ad ban efforts

The most recent flurry of attempts to severely curtail or ban tobacco advertising isn't going to succeed, according to a spokesman for the Tobacco Institute.

"Despite our critics, the advertising climate is more stable now than it has been," said Thomas Lauria, a researcher and spokesman for the industry organization. "The [U.S.] Surgeon General can say what she wants. . . but we don't think it will translate into law."

Surgeon General Antonia Novello has been highly critical of the tobacco industry, particularly for its ad campaigns that she and other health care advocates charge are aimed at hooking a new generation of young smokers. Campaign themes like those featuring Camel's "Joe Camel" character and Kool's cartoon penguin have been especially singled out by anti-smoking activists.

Lauria, however, defended the industry's record and said advertising was protected under the U.S. Constitution. "If you don't smoke, the ads are meaningless," he said. "We're confident we can continue to turn back [ad ban] proposals because they directly violate the First Amendment.

"We've been faced with efforts to restrict the sale and marketing of tobacco products since the 1950s, and we turned back 11 significant bills in the 1980s alone," Lauria added.

Ad bans aside, however, the Tobacco Institute itself acknowledges that cigarette sales will continue to decline steadily for years to come.

"Smokers now constitute 29 percent of the [U.S.] adult population, and we anticipate hitting a rock bottom of about 20 percent of the population," he said. "Two to 3 percent of the smoking population—or about one-half of 1 percent of the total population—stops smoking every year."

Big B caps turnaround with income, sales gains

BESSEMER, Ala. — Overcoming a tough competitive climate in Atlanta and other factors, Big B scored a convincing turnaround in the fiscal year ended Feb. 1, 1992. Net earnings for the year rose to $6.5 million vs. a prior-year loss of $1.5 million.

Fourth-quarter income was up 32.9 percent to $3.3 million on record sales of $140 million.

The gains were fueled by an overall improvement in store operating profits, the closing of a few underperforming units and efficiencies gained from the consolidation of distribution centers into the newly expanded, 440,000-square-foot warehouse in Bessemer.

Big B president Anthony Bruno praised the chain's performance through "the adversity that affected the prior-year earnings," when the chain struggled with a costly effort to fully convert and consolidate the former Reed drug stores in and around Atlanta to its own format. Bruno predicted earnings would continue to improve.

Big B opened four new stores in Tennessee, Georgia and Alabama and relocated two Alabama units to new sites. That brought store totals to 304 units in five southeastern states.

Bergen Brunswig sales up 17 percent in 2nd qtr.

ORANGE, Calif. — Bergen Brunswig Corp. reported net sales and other revenues from continuing operations for the second quarter ended Feb. 29, 1992 increased 17 percent to $1.22 billion from $1.05 billion for the comparable quarter last year. Net earnings for the quarter were $17 million compared to $17.1 million in the prior year quarter.

For the six month period, net sales and other revenues from continuing operations increased 14 percent to $2.37 billion compared to $2.07 billion a year ago. Net earnings were $25.9 million compared to $34.1 million in the 1991 period.

Robert E. Martini, president and ceo, said that Bergen's results were on target despite a lower gross profit margin rate and price increases on pharmaceuticals. He cited a decrease in forward buying opportunities and increases in revenue coming from the hospital segment, an area where margins are slightly lower than for sales to the retail drug sector, as two reasons for lower gross profit margins.

Net earnings for the period consisted of earnings from continuing operations of $15.5 million compared to $15.6 million in the comparable quarter last year, and earnings from discontinued operations, Commtron Corp., of $1.5 million for the quarter, the same as a year ago.

Net earnings for the six month period totaled $22.1 million compared to $30.1 million in the comparable period last year.

Krelitz posts decrease in sales

MINNEAPOLIS — Krelitz Industries, Inc. the largest drug wholesaler in the upper Midwest, reported net sales from continuing operations for the nine months ended January 31, 1992 at $186.9 million compared to $195.6 million for the same period last year. Loss from continuing operations was $1 million compared to income of $618,000 for the same period last year.

Sales from continuing operations for the third quarter were $63.4 million compared with nearly $68 million reported for the same period last year. Loss from continuing operations was $111,000 compared to income of $116,000 for the third quarter of last year.

Loss from continuing operations in the first nine months of fiscal 1992 is attributed to lowered gross profit margins and increased operating expenses as compared with last year. Sales increases from existing and new customers of $23.9 million did not mitigate the loss of a significant customer.

MARKET DIARY:

Largest Dollar Gainer	Barr Laboratories	$ 4.63	Advances	21
Largest Dollar Loser	Carter-Wallace	$ −16.50	Declines	34
Largest Percentage Gainer	Barr Laboratories	27.01%	Unchanged	7
Largest Percentage Loser	ICN Pharmaceutical	−21.05%	New highs	8
			New lows	1

	Close 3/3/92	Close 3/24/92	Net Change	Percent Change
Drug Store News Index	5089.46	5011.63	−77.82	−1.53
Dow Jones Industrial Average	3290.25	3260.96	−29.29	−0.89
Standard & Poor's 500-Stock Index	412.85	408.88	− 3.97	−0.96
N.Y.S.E. Composite	228.43	225.89	− 2.54	−1.11
Value Line Index	265.59	260.93	− 4.66	−1.75

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 3/3/92	Closing Price 3/24/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.50	4.50	0.00	0.00	—	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	22.25	21.00	− 1.25	− 5.62	22	0.12	0.57	25.25	15.50
OTC	Big B (H)	BIGB	12.75	16.13	3.38	26.47	19	0.20	1.24	16.13	9.88
OTC	Drug Emporium	DEMP	8.25	8.38	0.13	1.52	—	0.12	1.43	9.63	5.50
NYS	Fay's Inc.	FAY	10.38	10.75	0.38	3.61	19	0.20	1.86	15.75	8.25
ASE	Genovese Drug	GDX.A	12.13	12.25	0.13	1.03	13	0.24	1.96	14.75	9.13
NYS	Longs Drug Stores	LDG	35.38	35.63	0.25	0.71	13	1.08	3.03	44.38	33.38
OTC	Medicine Shoppe	MSII	27.00	29.25	2.25	8.33	22	0.36	1.23	30.75	19.00
NYS	Perry Drug (H)	PDS	11.38	11.13	− 0.25	− 2.20	16	0.00	0.00	11.63	5.88
NYS	Rite Aid Corp.	RAD	21.00	21.00	0.00	0.00	15	0.52	2.48	23.88	17.25
NYS	Walgreen Co.	WAG	36.50	35.63	− 0.88	− 2.40	22	0.52	1.46	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	18.88	19.13	0.25	1.32	14	0.40	2.09	26.19	16.00
OTC	Bindley Western Ind.	BIND	19.25	16.25	− 3.00	−15.58	12	0.04	0.25	20.75	13.50
OTC	Cardinal Distribution	CDIC	30.88	30.75	− 0.13	− 0.40	25	0.08	0.26	38.75	22.50
OTC	Durr-Fillauer	DUFM	22.00	24.00	2.00	9.09	17	0.28	1.17	34.75	17.50
NYS	FoxMeyer Corp.	FOX	14.50	14.50	0.00	0.00	16	0.00	0.00	16.63	10.75
NYS	McKesson Corp.	MCK	32.75	33.75	1.00	3.05	15	1.60	4.74	40.13	31.75
ASE	Moore Medical	MMD	6.00	5.88	− 0.13	− 2.08	31	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	18.88	17.88	− 1.00	− 5.30	19	0.20	1.12	24.25	12.16
Manufacturer's transactions											
NYS	Abbott Labs	ABT	62.75	62.00	− 0.75	− 1.20	24	1.20	1.94	69.75	46.75
NYS	American Home Products	AHP	78.63	77.25	− 1.38	− 1.75	18	2.60	3.37	86.25	56.00
ASE	Barr Laboratories	BRL	17.13	21.75	4.63	27.01	46	0.00	0.00	37.50	12.88
NYS	Baxter International	BAX	36.25	37.13	0.88	2.41	18	0.84	2.26	40.88	31.50
OTC	Block Drugs Co.	BLOCA	56.50	57.00	0.50	0.88	19	0.88	1.54	61.00	47.56
ASE	Bolar Pharmaceutical	BLR	13.63	11.75	− 1.88	−13.76	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb	BMY	80.13	80.50	0.38	0.47	20	2.76	3.43	90.13	73.50
NYS	Carter-Wallace	CAR	109.88	93.38	−16.50	−15.02	31	1.00	1.07	137.50	59.25
ASE	Columbia Labs	COB	7.13	7.00	− 0.13	− 1.75	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	23.38	21.25	− 2.13	− 9.09	16	0.28	1.32	24.38	14.25
ASE	Forest Labs	FRX	36.25	34.75	− 1.50	− 4.14	32	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	7.88	8.38	0.50	6.35	34	0.00	0.00	9.75	3.31
NYS	ICN Pharmaceutical	ICN	19.00	15.00	− 4.00	−21.05	—	0.00	0.00	25.38	4.50
ASE	Lee Pharmaceutical	LPH	1.63	1.38	− 0.25	−15.38	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition (H)	PLI	14.63	14.63	0.00	0.00	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co.	LLY	73.38	71.50	− 1.88	− 2.56	16	2.20	3.08	87.75	69.50
NYS	Marion Merrell Dow	MKC	35.38	34.88	− 0.50	− 1.41	17	0.92	2.64	39.00	27.25
NYS	Merck Co.	MRK	153.88	150.00	− 3.88	− 2.52	27	2.76	1.84	169.75	103.38
NYS	Mylan Labs	MYL	34.13	37.38	3.25	9.52	37	0.20	0.54	43.25	22.00
NYS	Novo-Nordisk	NVO	80.00	81.63	1.63	2.03	18	0.60	0.74	96.00	61.00
OTC	Nutramax Products (H)	NMPC	11.88	11.88	0.00	0.00	33	0.00	0.00	12.50	3.13
NYS	Pfizer Inc.	PFE	74.88	70.50	− 4.38	− 5.84	33	1.48	2.10	87.00	52.13
NYS	Pharmaceutical Resources	PRX	6.50	6.25	− 0.25	− 3.85	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	62.50	56.75	− 5.75	− 9.20	24	0.56	0.99	69.38	39.00
NYS	Schering Plough	SGP	59.50	57.50	− 2.00	− 3.36	19	1.32	2.30	68.00	47.13
NYS	Syntex Corp.	SYN	49.63	46.50	− 3.13	− 6.30	23	0.92	1.98	56.00	36.75
OTC	Taro-Vit Industries (H)	TAROF	11.00	12.50	1.50	13.64	104	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind. (H)	TEVIY	26.38	23.63	− 2.75	−10.43	24	0.20	0.85	28.38	11.75
NYS	Upjohn Co.	UPJ	41.25	39.00	− 2.25	− 5.45	13	1.36	3.49	49.25	37.63
NYS	Warner-Lambert (L)	WLA	65.13	65.00	− 0.13	− 0.19	62	2.04	3.14	80.38	62.13
OTC	Zenith Labs	ZENL	23.00	19.50	− 3.50	−15.22	53	0.00	0.00	24.25	7.00
Other retailer transactions											
NYS	Albertson's	ABS	43.50	43.50	0.00	0.00	22	0.64	1.47	51.38	32.75
NYS	American Stores	ASC	36.13	32.88	− 3.25	− 9.00	9	0.68	2.07	46.19	26.00
NYS	Giant Food	GFS.A	25.00	23.13	− 1.88	− 7.50	13	0.64	2.77	31.00	20.63
NYS	Great Atlantic&Pacific Tea	GAP	32.00	32.13	0.13	0.39	17	0.80	2.49	57.75	25.00
NYS	Kmart (H)	KM	51.88	53.88	2.00	3.86	14	1.76	3.27	54.00	38.13
NYS	Kroger	KR	18.00	18.00	0.00	0.00	16	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	51.88	49.38	− 2.50	− 4.82	15	1.48	3.00	55.25	38.25
OTC	Fred Meyer	MEYR	27.00	27.25	0.25	0.93	15	0.00	0.00	28.75	15.75
NYS	Penney, JC (H)	JCP	61.25	65.13	3.88	6.33	16	2.64	4.05	67.75	47.13
NYS	Safeway	SWY	18.88	16.25	− 2.63	−13.91	25	0.00	0.00	21.63	15.00
NYS	Smith's Food & Drug	SFD	40.50	38.38	− 2.13	− 5.25	23	0.44	1.15	43.75	30.25
NYS	Wal-Mart	WMT	53.25	53.13	− 0.13	− 0.23	38	0.20	0.38	59.88	37.13

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 7 Apr. 6, 1992

C5150-2

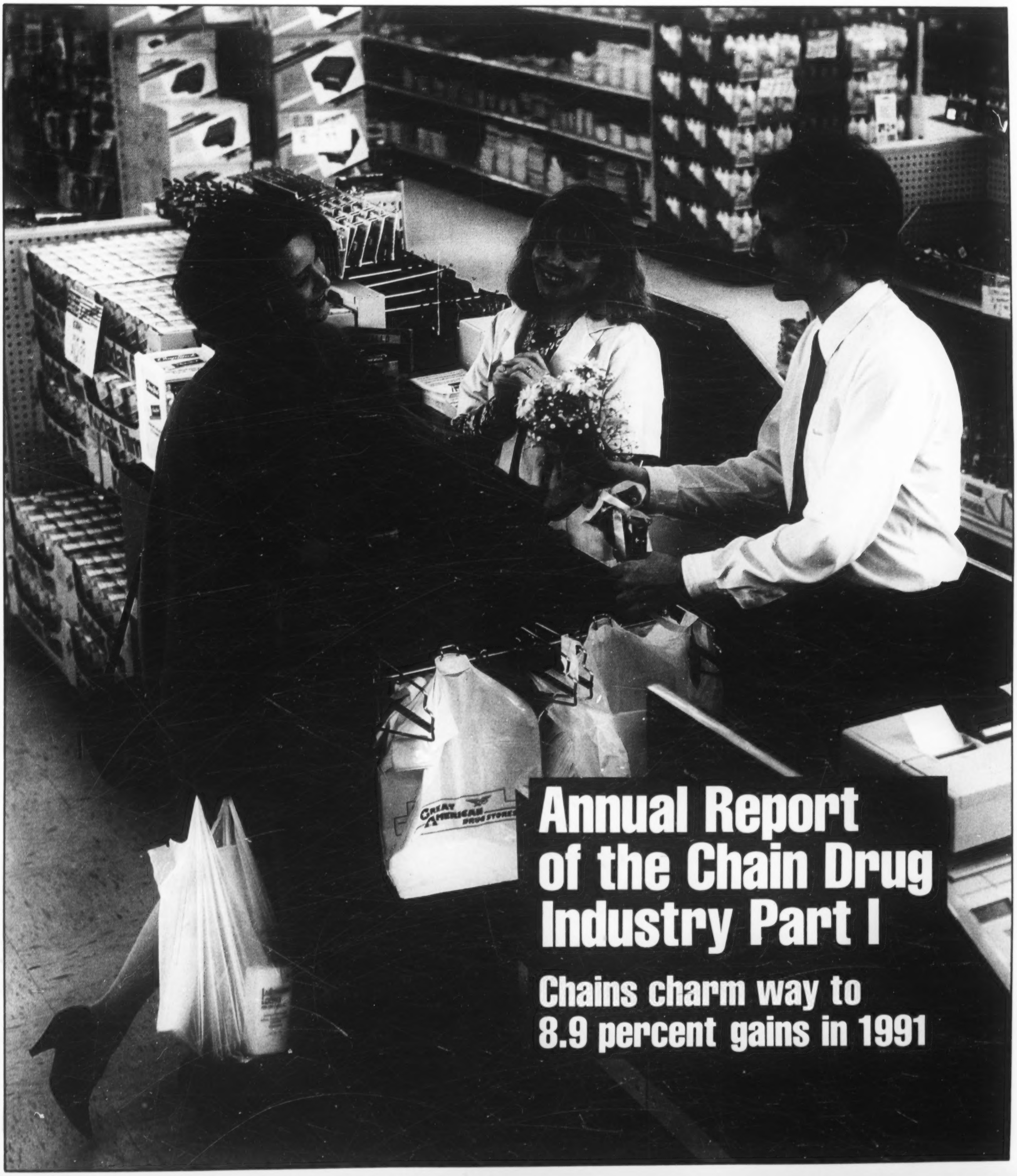
The newspaper of drug store retailing

April 20, 1992

DRUG STORE NEWS

Vol. 14 No. 8

A Lebhar-Friedman publication



Annual Report of the Chain Drug Industry Part I

Chains charm way to 8.9 percent gains in 1991

NEWS IN BRIEF

Bindley-Goold acquisition completed

INDIANAPOLIS — Bindley Western Industries has concluded its previously announced acquisition of J.E. Goold & Co., the 125-year-old distributor based in Portland, Maine.

William E. Bindley, chairman and ceo, said that Bindley Western acquired all of Goold's outstanding stock in exchange for 91,880 shares of Bindley Western common stock and 1,050 shares of Bindley Western non-voting preferred stock. Goold will be operated as the J.E. Goold division of Bindley Western, and will be headed by president John Campbell.

Goold generates $180 million in annual sales by servicing 1,200 active accounts. Bindley Western has 1991 revenues of $2.4 billion.

Arbor's Applebaum cited for deeds

TROY, Mich. — Arbor Drugs chairman and ceo Eugene Applebaum was given the annual silver honoree award last month from *The Wall Street Transcript*.

The award, based on a poll of industry analysts, money managers and retail experts, honored the ebullient founder and leader of Arbor for the company's rapid growth and consistent earnings performance.

Phar-Mor aids hearing impaired

YOUNGSTOWN, Ohio — Phar-Mor has joined a growing list of companies offering closed captions for the hearing impaired in its television commercials.

Recent Phar-Mor TV spots feature grand opening and double coupon events, and are captioned by CaptionAmerican of Pittsburgh.

"By close-captioning our television commercials, we are able to maximize the effectiveness of television as an advertising vehicle," said John Learish, the chain's broadcast supervisor.

Wal-Mart ventures into Los Angeles

BENTONVILLE, Ark. — Wal-Mart Stores, Inc. is considering two sites that, if negotiations are finalized, will mark the discount retailer's initial entry into the greater Los Angeles urban market.

To date, Wal-Mart's two locations in Los Angeles County are in the fast-growing desert communities of Lancaster and Palmdale around 65 miles north of the city.

The Cerritos site under consideration is a proposed multistore development in a well-established suburb around 30 miles south of downtown L.A.; the Burbank site, owned by Lockheed Corp., would position Wal-Mart in the Burbank-Glendale market.

Wal-Mart currently has 10 stores in California, all located in inland cities; another store is under construction in Fontana, Calif., in San Bernardino County, according to company sources.

Albertson's drops Super Food bid

BOISE, Idaho — Albertson's has dropped its effort to purchase the Florida operation of Super Food Services, a wholesaler based in Ohio. Super Food is reportedly preparing to charge the 560-store food and combo store chain with breach of contract, according to a *Wall Street Journal* report.

Albertson's has 66 units in Florida, and agreed to purchase the five Jewel Osco stores in the state from American Stores.

IN THIS ISSUE

FEATURES

Format of the Month 8
Annual Report Quiz 15
Cosmopolitan Study 35-44
Annual Report Part I ... 47-111
Nielsen Study 112-114

COSMETICS AND FRAGRANCES

Beauty Beat 29
Category in Motion 29

DEPARTMENTS

Opinion
In the Market 6
Washington Perspective 6
People in the News 18
Store Manager Training 24
Product Updates 26
Finance 118

Death of Wal-Mart's founder won't derail growth, say execs

By James Frederick

BENTONVILLE, Ark. — The death of Wal-Mart founder and retail visionary Sam Walton should have little effect on the company's ongoing business or its policies, company officials say.

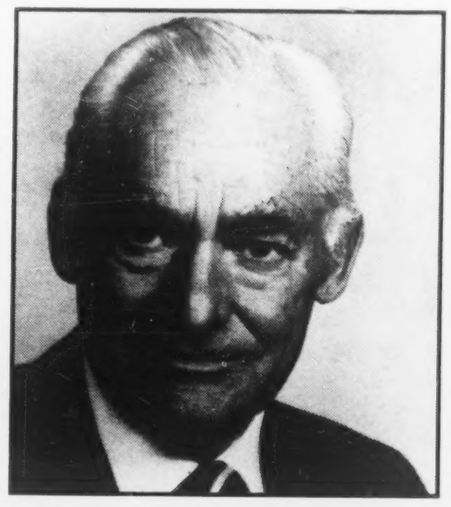
"We foresee no changes in the company's policies or structure," said president and chief executive David Glass in a statement.

Walton, 74, died April 5 in Little Rock, Ark. after a three-year battle with bone cancer. Several years prior to his death, Walton achieved legendary status as the folksy, homespun yet hard-driving head of the nation's biggest and best retail company. He was famous as a tireless corporate cheerleader who visited hundreds of stores a year and sought constant input from his store employees.

"Mr. Sam helped create an extraordinary culture within Wal-Mart which is deeply embedded in each of us," said Randy Laney, vp of finance and treasurer.

It remains to be seen whether Wal-Mart can maintain that unique, highly charged culture in Walton's absence, but investors, at least, seem to be betting that it can. The company's stock price actually rose on Monday following its chairman's death.

Walton started in 1962 with a single, 16,000-square-foot Wal-Mart store in Rogers, Ark., and built a $44 billion retail empire which includes 1,735 Wal-Mart stores and another 212 Sam's Wholesale Club stores. He grew his business with shrewd, groundbreaking policies. Among them: friendly customer service, everyday low prices, up-close and personal attention to detail in the stores, employee input, stock options for employees, a broad merchandise mix and high-tech retail methods to track and distribute product at the lowest possible cost.



Walton

In the process, Walton became one of the richest men in the world. More important, his company altered the retail landscape in small-town America, shaking up traditional balances of trade among general merchandise, drug and even food retailers.

More recently, Wal-Mart has moved increasingly into larger metropolitan areas in search of new markets. It has also strengthened and refined its pharmacy business, adding new management depth and restructuring the drug department in stores to give it greater visibility and importance.

With nearly 1,300 of its stores already equipped with full drug store departments and pharmacies, Wal-Mart's recent moves to boost its drug business have given it enormous impact in some drug store markets. Said one deep-discount executive in Ohio last year, "Wal-Mart is the only real challenge we face. They beat everybody on prices."

In a statement, Wal-Mart called its founder's death "a tremendous loss" and acknowledged that in many minds, "Sam Walton and Wal-Mart are no doubt synonymous." Nevertheless, said a spokesman, "We will motivate ourselves that much more to reach and surpass all of Wal-Mart's goals and make (Walton) proud."

The spokesman added that Wal-Mart's legendary founder and chairman "had the insight to plan for the inevitable."

Indeed, the transition of power mapped out by Walton and others prior to his death moved quickly. On April 6, the founder's oldest son, S. Robson (Rob) Walton, 47, was named to succeed his father as chairman. David Glass, who succeeded Sam Walton as Wal-Mart's top manager in 1988, remains as president and chief executive. Both men are known as energetic, tough negotiators who work well together—and both are steeped in the hard-working, customer-driven atmosphere Sam Walton fostered at Wal-Mart.

Walgreen post sales and earnings records for quarter and half

DEERFIELD, Ill. — Its momentum largely undimmed by a sour economy, Walgreen Co. tallied another in a series of record sales and earnings for the quarter and half ended Feb. 29.

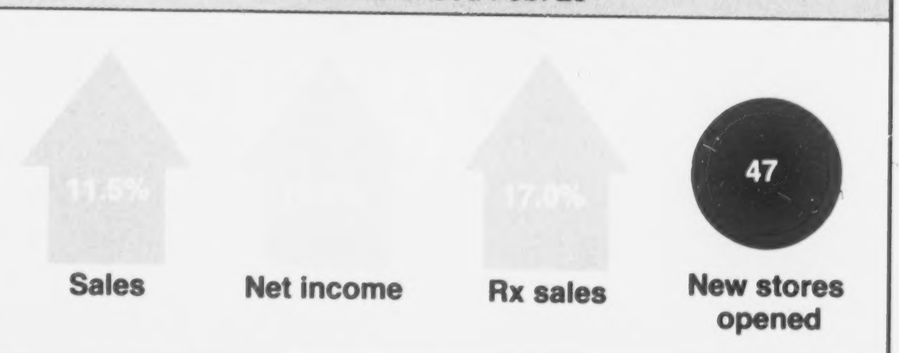
Net income jumped 14.3 percent to $77.1 million for the second quarter, with sales up 11.9 percent to $2.0 billion. For the first half, earnings rose 13 percent to $112.9 million on sales of $3.7 billion, up 11.5 percent.

Even factoring out a one-time charge of $4.1 million in the prior-year comparison, related to the closing of the Memphis distribution center, Walgreen still managed a 10.2 percent gain in net earnings for the just-completed first half of fiscal 1992.

Sales momentum slowed somewhat in March, according to a more recent report by the company. March sales rose 5.6 percent, with same-store gains rising 2.2 percent.

Walgreen credited good cost-control measures, including lower headquarters and store salary expenses as a percentage of sales, for the earnings gains. Store occupancy and advertising costs were also lower in the second quarter, although higher insurance expenses partially offset the improvements.

Setting records
6 months ended Feb. 29



Source: Walgreen Co.

Pharmacy continues to carry a growing portion of the freight for Walgreens—as well as for the industry as a whole. Prescription sales jumped another 17.4 percent for the quarter and 17.0 percent for the first half, with first-half same-store pharmacy gains up 14.1 percent. Walgreen plans to base 50 percent of its sales on pharmacy before the end of the decade.

Meanwhile, the chain continues to match its earnings growth with new store construction. "We're on schedule to open 110 new drug stores this year, and 125 next year," said chairman and ceo Charles R. Walgreen III.

The chain opened 47 new stores in the first six months of the new fiscal year, bringing its total to 1,692 drug stores in 29 states and Puerto Rico.

Walton's legacy lives in American retailing

IN THE MARKET
BRUCE BUCKLEY

The Kansas City Airport was the last place I expected to run into Sam Walton. On that day in January 1988, I was among several editors who were headed out to the grand opening of the newest Hypermart U.S.A. in Topeka.

When the chairman of Wal-Mart crossed the airport lobby, I didn't notice him. A fellow editor pointed him out and then introduced us to "Mr. Walton." Unassuming and friendly, he offered us a ride in his modest rental car. I confess that I don't remember what we talked about during the trip, but what sticks in my memory was the later transformation of Sam Walton when he stood up in front of a rapt audience of new and mostly youthful associates at the new Hypermart.

The man who had reminded me of a small-town haberdasher turned into a polished evangelist, almost aglow in his message of promise and success. He transformed the audience as well. At that moment, it wasn't hard to understand why he had made such a mark on American retailing. And, thinking about it again today, why that mark will survive his death.

His legacy—the commitment to value, to customer service, to operations excellence—touches not just discounters, but all retailers. And, in fact, one reason why many competitors have been able to withstand the Wal-Mart onslaught is that they borrowed freely from his book.

This annual report issue and the one that follows in two weeks are really about excellence in chain drug retailing. It's fair to say that at least some of that excellence has been influenced by Walton's ideas as well as the competitive pressures from his company.

* * *

In spite of the sluggish economy, chain drug sales advanced 9 percent to $46.4 billion last year, while total drug store sales reached almost $75 billion. There were soft spots around the country, but the strong operators continued to perform well. They did so by reemphasizing their commitment to customer service and core categories, to appealing new formats and advanced technology.

Pharmacy was the driving engine, with a sales increase that approached 15 percent, despite the slowdown in pharmaceutical price hikes. Growth in the OTC drug category was also robust, with a 9 percent year-to-year gain. Other departments advanced more slowly, but a reviving economy this year should put some more spark into sales.

The deep discount drug store segment, which is counted in the chain drug column, also contributed to the strong sales gain.

* * *

Statistics in this issue are the result of a comprehensive survey of chain drug retailers, but also include information from a wide polling of other sources, including the Commerce Department, industry manufacturers, manufacturer reps and marketing research companies. It should be noted that the 1991 overall chain drug sales figures have been restated slightly higher to conform to Commerce Department data, and therefore so have individual product category figures. Historical data used in the issue has not been adjusted.

* * *

Starting in this issue we'll be presenting Nielsen Highlights, a new column devoted to trade and consumer trends in various HBA product categories. This week's issue focuses on the bath segment; next month Nielsen will take a look at one of the categories in hair care. We believe this new feature is a useful and timely adjunct to our full December coverage of Nielsen drug store trends. Let us know what you think.

Rx'ers want compensation for consultation

WASHINGTON PERSPECTIVE
KEN RANKIN

Just about everybody agrees that pharmacists should take the time to counsel patients about drugs.

An NACDS study released last year concluded that patient counseling will likely emerge as the primary role of community pharmacists in the future.

A separate APhA survey issued just last month found that most pharmacists are already actively involved in patient counseling and would like to devote even more time to it.

FDA commissioner David Kessler is citing the results of still other research as evidence of a sharp increase in patient drug education by community pharmacists during the past few years.

Unfortunately, however, there's less consensus on two particularly prickly points:

- should the government ***require*** pharmacists to engage in patient consultation; and
- should pharmacists be compensated for such activities.

The answers to those questions will likely shape retail pharmacy economics well into the next century.

But if drug store industry leaders hope to influence the debate on these issues they had better move fast.

Starting next January, pharmacists will be required to offer face-to-face counseling to every Medicaid patient submitting a prescription.

In addition, at least 21 states have already adopted new rules of their own requiring pharmacist counseling for all patients, whether or not they are on Medicaid.

As for the question of pharmacist reimbursement for consultations, some people here in Washington say that issue is moot. As they see it, pharmacists are already being compensated for their patient counseling activities—it's included in the dispensing fees they collect on each prescription.

There are, however, compelling arguments to support reimbursement for cognitive services by pharmacists.

$2-per 4-minute consultation

While the cost of compensating pharmacists for time spent counseling patients is high—almost $2 for each average 4 minute consultation—the cost of economically discouraging pharmacists from educating patients about drugs is even higher.

The commissars in charge of third-party drug coverage programs are acutely aware of this fact. Government officials themselves acknowledge that drug noncompliance wastes billions of health care dollars annually, and "contributes to premature deaths, prolonged illnesses and preventable hospitalizations."

Can pharmacists reduce these non-compliance costs and suffering through more extensive patient counseling? You bet.

Can reimbursement for patient consultation be cost-justified? Absolutely.

Will pharmacists be paid for their counseling activities? Only if the drug store industry moves now to make a clear and compelling case for it.

DRUG STORE NEWS®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **John Kenlon**
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Area Manager: **Amanda Cimon**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Saffir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Terry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAlear Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Circulation **Martha Pettley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Satisfying four distinct consumer groups

As the recession deepens, drug chains have developed more advertising campaigns designed to attract consumers through low prices on popular brands—including mass and prestige brands that originally established themselves as exclusive department store items.

Even in such mature categories as hair care and women's fragrances, that strategy has been successful as women flock to drug stores to buy prestige fragrances and salon specialty shampoos at bargain prices.

Now through an exclusive consumer survey implemented for *Drug Store News* and *Cosmopolitan* magazine by Chicago-based Leo J. Shapiro and Associates, we have been able to develop a pyschodemographic prototype of the four major consumer groups who shop for beauty care products.

This is a significant collaborative effort between two publications—one consumer and one trade—that consistently track purchase patterns within beauty categories.

In our December 1991 issue, we analyzed the Shapiro findings by age types, and reported on the brand preferences of respondents within four age brackets.

In this report, we are analyzing the data in terms of the four psychodemographic classifications that the Shapiro company was able to develop. Along with this analysis comes a better understanding of what each major consumer group values and seeks when choosing a brand or a particular store to shop.

Brand savers

For example, the women who respond so eagerly to ads for designer fragrances and salon specialty items at bargain prices can be classified as "brand savers," according to the factor and cluster analysis that the Shapiro company developed.

A brand saver uses statements like "I tend to stay with the same brand for cosmetics and skin care products" or "A product with a brand name I know implies higher quality" to describe herself.

According to the Shapiro survey, approximately one third of all cosmetic and skin care dollar sales are being generated by brand savers who are looking for bargains on brand name products.

However only 23 percent of all brand savers, who prefer buying brands for less than suggested retail, reported spending the most money for cosmetics in drug stores.

Brand savers were clearly the most flexible group in the survey: 26 percent said they spend the "most money" for cosmetics in department stores; 23 percent said drug stores; and 24 percent said discount department stores.

Their overall lack of loyalty to any one type of establishment seems to reflect their willingness to shop around for bargains. They shop where they find the brands they want at the best possible prices, and they are probably very adept at cherry-picking a store.

Most likely when brand savers see a brand name on ad and want it, they come in, buy it and leave. They are not as susceptible to impulse buying as Shapiro found "improvisers" are.

For brand savers, the Shapiro survey found that a brand is "a means to control the amount of time they spend on beauty care and a way to minimize the risk of unsatisfactory results."

But while these women prefer a brand because they feel they can use it to manage time and control results, they also want low prices, turning them into a natural constituency for retailers who sell and advertise popular brands for less than list price.

Brand savers spend a mean $119 a year on skin care and approximately $87 a year on cosmetics.

It's highly likely that when drug stores advertise items including designer fragrances and premium shampoos and styling aids, it is the brand saver that responds most strongly to these appeals. It's reasonable to assume that the greater the value that drug stores can offer, the higher the chances of attracting this consumer.

Store appeal

The Shapiro survey also discovered that brand saver shoppers respond very strongly to stores that offer them extra values along with a broad selection of quality brand products. For example:

- **100 percent** of all brand savers rated low prices as "very" important to them in deciding where to shop;
- **43 percent** said the presence of testers or the availability of free samples was "very" important;
- **41 percent** said the look of the store or its atmosphere was very important;
- **45 percent** said information on products and new products was "very" important;
- **55 percent** said a large selection of product was "very" important;
- **60 percent** said the ability to find knowledgeable sales help was "very" important;
- and **50 percent** said it was also "very" important to be able to find upscale brands in the stores they shopped.

Brand savers turned out to be the biggest group in the Shapiro study, accounting for 36 percent of the 761 women who were the "chief shoppers" for their households.

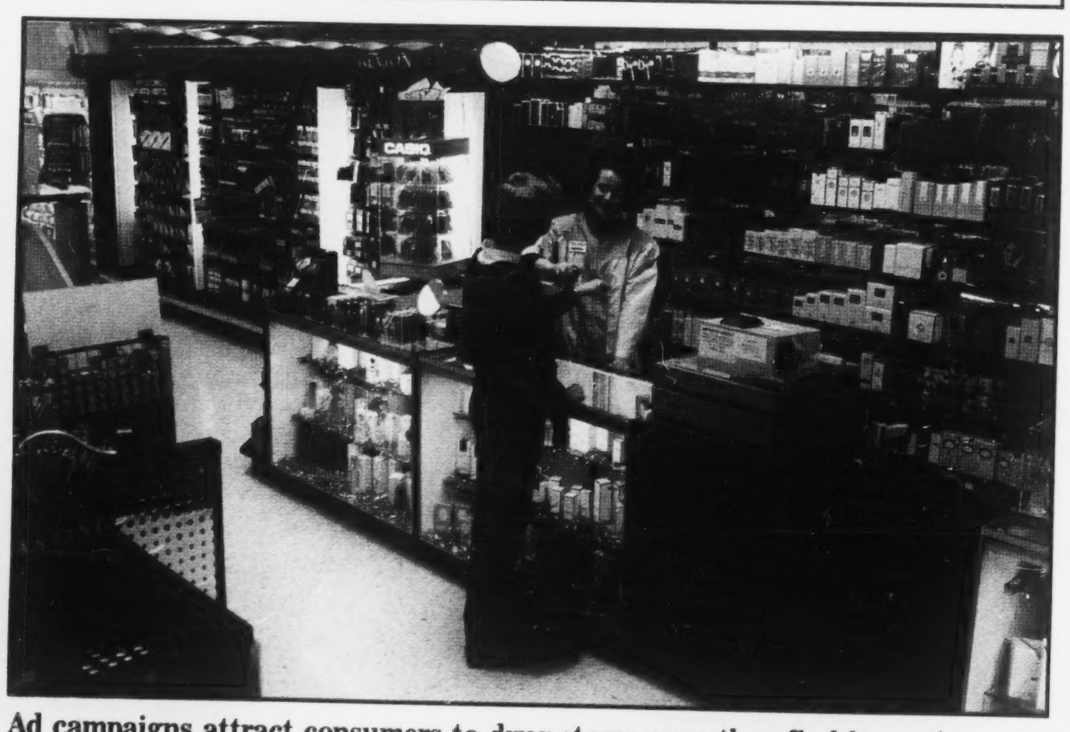
The study was based on a nationwide sampling of 1,000

Continued on page 38

Classifying today's female shopper

Psychographic type	Percentage of female shoppers	Share of: cosmetic dollars	Share of: skin care dollars
Ecologists	31%	33%	38%
Improvisers	10	8	8
Brand savers	36	31	31
Brand spenders	23	28	23

Source: Leo J. Shapiro & Associates.



Ad campaigns attract consumers to drug stores were they find low prices on mass and prestige brands of cosmetics and fragrances.

Who's spending the most for skin care

(Mean amount spent annually)

Ecologists	$170
Brand spenders	142
Brand savers	119
Improvisers	112

Source: Leo J. Shapiro & Associates.

Who's spending the most for cosmetics

(Mean amount spent annually)

Brand spenders	$125
Ecologists	109
Improvisers	89
Brand savers	87

Source: Leo J. Shapiro & Associates.

Methodology

Leo J. Shapiro and Associates interviewed a national sample of 1,000 households, speaking with the chief food shopper in each household. In 761 households, the chief shopper was a woman, and these women constitute the database for the survey. The study was supplemented with an additional 436 interviews selected from a reader list provided by *Cosmopolitan* magazine.

Satisfying four diverse consumer groups

Continued from page 35
households, supplemented with an additional 436 interviews with readers of *Cosmopolitan* magazine.

The two samples were combined and weighted to provide a sufficient base for the typographic analysis.

However, only the responses of the women who were "chief shoppers" were analyzed to generate estimates of the total population.

Improvisers

The brand saver type of shopper is not the same as a low price shopper whom the Shapiro company described as "improvisers."

In their descriptions of themselves, improvisers say things like "I will not buy anything that is not on sale" or "I buy spur of the moment rather than planning to buy ahead."

More than any other pyschodemographic type, improvisers are often motivated to make a purchase by price alone.

Improvisers may want to buy a certain brand but will often choose an alternative instead purely through necessity, and that necessity is driven by a need for low prices.

Improvisers are also not heavy users of cosmetics and skin care products. According to the Shapiro buying survey, only 8 percent of all cosmetic and skin care dollar sales are being generated by women who are primarily concerned about price. But interestingly, out of all four groups, improvisers are the ones who spend the most money for cosmetics in drug stores.

According to the Shapiro survey, one third of all improvisers, 34 percent, reported spending the "most money" for cosmetics in drug stores, while 29 percent said they spend the most in department stores.

Just 18 percent of improvisers said they spend the most for cosmetics in discount department stores, and just 3 percent say they spend the most in food stores.

When improvisers are ready to make a cosmetic purchase, they believe they can find the best value in drug stores.

Also, since only 18 percent of the women in this group report spending the most money for cosmetics in discount department stores, they may also be motivated by the convenience of shopping drug stores.

Drug stores are more accessible than discount department stores and that has value when consumers don't have a car, want to conserve on gas, or don't have time to make a long shopping trip.

In fact, drug stores were the place where all four groups said they spent "the next most money for cosmetics."

Improvisers are also inclined to buy skin care in stores where price and convenience are available options.

Twenty-nine percent of all improvisers say they spend "the most for skin care" products in drug stores while 21 percent spend the most in food stores and 20 percent spend the most in discount department stores.

And, as you'd expect from shoppers who were price conscious, just 13 percent of all improvisers say they spend the most for skin care in department stores.

Store appeal

- **56 percent** of all improviser shoppers rated low prices as "very important" to them in deciding where to shop;
- **19 percent** also said it was very important to shop in stores where they could get a free gift with purchase;
- **41 percent** said the presence of testers or the availability of free samples was "very important;"
- **32 percent** said the look of the store or its "atmosphere" was very important;
- **37 percent** said information on products and new products was "very important;"
- **45 percent** said a large selection of product was "very important;"
- **57 percent** said the ability to find knowledgeable sales help was "very important;"
- and **28 percent** said it was also "very important" to be able to find upscale brands in the stores they shopped.

Improvisers typically spend a mean $112 a year on skin care and approximately $89 a year on cosmetics.

For ecologist shoppers, 65 percent claimed the ability to find knowledgeable sales help was "very important."

Ecologists

Of all the four consumer groups that the Shapiro survey identified, perhaps the most interesting and challenging is the group that fell into the classification "ecologists."

Unlike brand savers and brand spenders, ecologists tend to remain very flexible with respect to their shopping options. Only 24 percent of the ecologists in the survey strongly agreed with the statement that "a brand name implies higher quality."

That makes them a very different shopper from the brand savers and brand spenders. More than six out of every 10 brand loyal shoppers said they strongly agreed with the same statement.

Brand loyal shoppers, who view their lives as hectic, think of well known brands as a form of insurance against being disappointed by a purchase and as a way to control the time and effort spent on beauty care.

In contrast, ecologists are more wary of products that claim to simplify beauty care. Although they are not as oblivious to price as brand spenders, they feel that simple answers can be more costly, and that other aspects of a product have to come into consideration, such as packaging and the manufacturing process.

As a group, ecologists were unlike their counterparts in two other very important respects. The majority of ecologists, 80 percent, said they "would avoid packaging that endangered the environment."

In comparison, only four out of every 10 brand savers, 44 percent, strongly agreed with this statement; only two out of every 10 brand savers, 26 percent, agreed with it, and less than one of every 10 improvisers, 8 percent, strongly agreed with it.

The gap was just as wide on the issue of animal testing. Seven out of every 10 ecologists—69 percent—described themselves as someone who "won't buy products from a company that does animal testing."

Just 24 percent of brand savers and 19 percent of brand spenders described themselves in those terms, and only 5 percent of improvisers did so. This is an important indication for retailers and manufacturers who are worried about whether consumers will pay a little more to support environmentally responsible packaging and manufacturing.

The ecologist consumers will spend more because, as the Shapiro survey found, these issues are important to them. The ecologist shopper is also not inordinately concerned with price. Only 7 percent described themselves as "never buying anything unless it was on sale."

Ecologists today account for 31 percent of all female shoppers. The majority of female shoppers are brand loyal and quite price conscious.

Continued on page 40

Beauty care and its appeal to four different types of women

(Percentage purchased in last 12 months)

	Ecologists	Improvisers	Brand savers	Brand spenders
COSMETICS				
Eye shadow/liner	2%	53%	57%	64%
Mascara	63	51	62	72
Foundation	56	43	61	65
Pressed powder	37	33	38	39
Blush	54	48	54	67
Lipstick	66	70	68	82
Nail polish	50	47	48	60
SKIN CARE				
Facial moisturizer	62	58	59	71
Facial astringent	33	35	32	40
Facial cleanser	51	49	51	62
Hand or body lotion	85	76	80	85
Body powder	43	39	43	39
Personal care soap	82	85	80	79

Source: Leo J. Shapiro & Associates.

Store services ranked by importance to customers

(Percentage of women who say this is very/somewhat important)

	Importance to:				
Store benefits	All women	Ecologists	Improvisers	Brand savers	Brand spenders
Free gift with purchase	43%	47%	46%	50%	40%
Testing/sampling	72	79	70	79	78
Free makeovers	39	40	40	45	35
Store atmosphere	78	75	69	77	73
Product information/ New product information	79	86	74	85	79
Large selection	72	80	69	83	72
Knowledgeable sales help	84	86	77	82	86
Upscale brands	77	78	61	84	76
Low prices	89	90	80	100	70
Package design	46	48	36	46	41

Source: Leo J. Shapiro & Associates.

Satisfying four consumer groups

Continued from page 38

These shoppers will only support environmental packaging issues if all other things are equal, meaning they can still buy the brand they trust at the right price.

Down the line, however, the ecologist group may grow in numbers as more women respond to concerns about the environment, and at that point, manufacturers and retailers must be ready to address their needs.

Interestingly, ecologists tend to be the heaviest users of skin care products, but only average users of cosmetics.

Ecologists typically spend a mean $170 a year on skin care, and approximately $109 a year on cosmetics.

Currently, 28 percent of all ecologists who buy skin care say they spend "the most for these products" in drug stores.

Twenty-one percent say they spend the most in discount department stores and department stores respectively.

Just 19 percent of ecologists report spending the most for skin care in food stores.

Twenty-seven percent of all ecologists say they spend the "most money" for cosmetics in drug stores, while 28 percent say they do the same in department stores. Another 18 percent say they spend the most in discount department stores like Wal-Mart, Kmart and Target while just 8 percent say they spend the most in food stores.

Currently, 28 percent of all ecologists who buy skin care say they spend "the most for these products" in drug stores.

How cosmetic and skin care purchases are shifting*

(Compared to two or three years ago, percentage who are shopping):

	Drug stores more	Department stores more	Drug stores less	Department stores less
Ecologists	29%	33%	49%	51%
Improvisers	30	23	52	55
Brand Savers	37	33	44	50
Brand Spenders	23	32	48	39

*For cosmetic and skin care items.
Source: Leo J. Shapiro & Associates.

Price-conscious shoppers: where they buy cosmetics

	Percentage of cosmetic dollars spent by	Percentage spending the most money for skin care in:			
		Drug stores	Discount department stores	Food stores	Department stores
Ecologists	33%	27%	18%	8%	28%
Improvisers	8	34	18	3	29
Brand savers	31	23	24	7	26
Brand spenders	28	16	9	5	47

Source: Leo J. Shapiro & Associates.

Store preferences by consumer type: brand savers

(Based on last brand purchased by women in past 12 months)

	Drug store	Discount department store	Food store
COSMETICS			
Shadow/eye liner	30%	19%	10%
Mascara	29	24	8
Foundation	18	23	5
Pressed powder	19	23	5
Blush	20	22	5
Lipstick	26	18	3
Nail polish	36	23	4
SKIN CARE			
Facial moisturizer	35	17	9
Facial astringent	27	18	11
Facial cleanser	29	19	15
Hand or body lotion	26	28	26
Body powder	20	27	27
Personal care soap	10	20	64

Source: Leo J. Shapiro & Associates.

Store appeal

- **64 percent** of all ecologist shoppers rated low prices as "very important" to them in deciding where to shop.
- **47 percent** said the presence of testers or the availability of free samples was "very important;"
- **44 percent** said the look of the store or its atmosphere was very important;
- **50 percent** said information on products and new products was "very important;"
- **53 percent** said a large selection of product was "very important;"
- **65 percent** said the ability to find knowledgeable sales help was "very important;"
- and **44 percent** said it was also "very important" to be able to find upscale brands in the stores they shopped.

Brand spenders

The last group of customers is the hardest for drug stores to attract, at least as far as shopping for cosmetics goes.

Yet, they are also the most attractive in terms of income and consumption trends.

The Shapiro company classified this group as brand spenders and said that like brand savers, they attach great importance to brands as "a tool to manage beauty and skin care." But, unlike brand savers, they do not plan their shopping around price.

The much more affluent brand spender shoppers will often shop department stores to find the brands they trust the most.

Brand spenders report the highest average household income; are likely to be employed as white collar professionals or managers; and are heavy purchasers of cosmetics, particularly upscale department store brands, such as Clinique.

However, only 16 percent of brand spenders reported spending the most money in drug stores for makeup.

Instead, 47 percent of all brand spenders who buy cosmetic products spend "the most for these products" in department stores while 9 percent of brand spenders spend the most for cosmetics in discount department stores. Just 5 percent say they spend the most in food stores.

According to the Shapiro survey, brand spenders account for approximately one-fourth—28 percent—of all cosmetic dollar sales spent and 23 percent of all skin care dollars spent.

The survey also discovered that 36 percent of all brand spenders spend "the most for skin care products" in depart-

Continued on page 42

Satisfying four individual consumer groups

Continued from page 40

ment stores, while 18 percent spend the most for skin care in drug stores.

Just 12 percent of brand spender skin care users spend the most for skin care in discount department stores, and only 13 percent spend the most for skin care in food stores.

Brand spenders typically spend a mean $142 a year on skin care, and approximately $125 a year on cosmetics.

Store appeal

The Shapiro survey discovered that brand spenders also prefer to shop stores that offer them extra value.

- None of the brand spender shoppers rated low prices as "very important" to them in deciding where to shop. But **70 percent** said low prices were "somewhat important."
- **38 percent** said the presence of testers or the availability of free samples was "very important;"
- **35 percent** said the look of the store or its "atmosphere" was "very important;"
- **41 percent** said information on products and new products was "very important;"
- **43 percent** said a large selection of product was "very important;"
- **63 percent** said the ability to find knowledgeable sales help was "very important;"
- and **39 percent** said it was also "very important" to be able to find upscale brands in the stores they shopped.

The recession appears to be having an impact on shopping frequencies. Compared to two or three years ago, a large percentage of respondents in all four groups claimed to be shopping both drug and department stores "less often" today than they were two or three years ago.

But, respondents in the two most price conscious groups, brand savers and improvisers, were more likely to report a shift toward shopping more often in drug stores, while respondents in the ecologist and brand spender groups were more likely to report the opposite: a shift toward shopping more often in department stores.

Shift in shopping trends

For example, 33 percent of ecologists said they are shopping department stores "more often" while just 29 percent said they were shopping drug stores more often.

Thirty-two percent of brand spenders said they were shopping department stores more often while just 23 percent said they were shopping drug stores more often.

In contrast, 37 percent of brand savers said they were shopping drug stores more often, while just 33 percent said they were shopping department stores more often.

And, among improvisers, the most price conscious group, 30 percent said they were shopping drug stores more often, while just 23 percent said they were shopping department stores more often.

Store preferences by consumer type: brand spenders

(Based on last brand purchased by women in past 12 months)

	Drug store	Discount department store	Food store
COSMETICS			
Shadow/eye liner	18%	12%	4%
Mascara	27	15	9
Foundation	13	8	5
Pressed powder	20	10	9
Blush	7	10	3
Lipstick	21	10	5
Nail polish	31	21	6
SKIN CARE			
Facial moisturizer	16	12	5
Facial astringent	13	9	3
Facial cleanser	14	11	13
Hand or body lotion	34	21	24
Body powder	33	18	16
Personal care soap	15	13	60

Source: Leo J. Shapiro & Associates.

Store preferences by consumer type: improvisers

(Based on last brand purchased by women in past 12 months)

	Drug store	Discount department store	Food store
COSMETICS			
Shadow/eye liner	35%	17%	9%
Mascara	31	26	11
Foundation	26	15	5
Pressed powder	23	23	6
Lipstick	32	12	5
Blush	24	18	8
Nail polish	30	20	19
SKIN CARE			
Facial moisturizer	19	21	14
Facial astringent	16	13	31
Facial cleanser	20	20	15
Hand or body lotion	29	23	27
Body powder	35	27	14
Personal care soap	9	26	58

Source: Leo J. Shapiro & Associates.

Store preferences by consumer type: ecologists

(Based on last brand purchased by women in past 12 months)

	Drug store	Discount department store	Food store
COSMETICS			
Shadow/eye liner	29%	21%	6%
Mascara	33	19	12
Foundation	27	18	6
Pressed powder	28	25	6
Blush	27	22	5
Lipstick	29	19	8
Nail polish	36	23	10
SKIN CARE			
Facial moisturizer	24	21	13
Facial astringent	22	20	17
Facial cleanser	27	18	17
Hand or body lotion	29	27	23
Body powder	31	22	21
Personal care soap	18	21	51

Source: Leo J. Shapiro & Associates.

Ecologist shoppers spend the most on skin care in drug stores

	Percentage of skin care dollars spent by	Percentage spending the most money for skin care in: Drug stores	Discount department stores	Food stores	Department stores
Ecologists	38%	28%	21%	19%	21%
Improvisers	8	29	20	21	13
Brand savers	31	26	22	14	20
Brand spenders	23	18	12	13	36

Source: Leo J. Shapiro & Associates.

ecologists

DrSN/Cosmopolitan *survey: unearthing the green consumer*

Mindful of women's ecological concerns and their impact on purchasing habits, drug chains have undertaken marketing programs meant to persuade "environmentally sensitive" consumers to shop stores that cater to these concerns.

Who is the environmentally sensitive consumer—the ecologist—and what does she expect from retailers and makers?

Says the nationwide consumer survey implemented for *Drug Store News* and *Cosmopolitan* magazine last year by Chicago-based Leo J. Shapiro & Associates: she tends to be young, with a median age of 39. Half of them—51 percent—attended college and their median household income is $33,400.

When ecologists select statements that describe themselves, their choices are significantly different from other types of consumers. Ecologists are less likely to describe themselves in terms that reflect either a dependency on brands or a susceptibility to low prices.

They are clearly the consumer group who would support green products, packages and departments within mass retail stores.

Low price-conscious shoppers, on the other hand, the type that the Shapiro company classifies as "improvisers," are less likely to avoid packages that endanger the environment or that have been tested on animals.

And "brand spenders," the type who will almost always buy preferred brands whether on sale or not, are also less likely to avoid packages that endanger the environment or products that have been tested on animals.

Further:

- Eighty percent of ecologists agree that the statement "I will avoid packaging that endangers the environment" describes them very well. In contrast, 61 percent of low price conscious shoppers; 31 percent of "brand spenders" say this statement does not describe them at all.
- Sixty-nine percent of all ecologists will not buy products that are tested on animals. In contrast, 55 percent of "brand spenders" and 80 percent of "improvisers" said this statement does not describe them at all.
- Looked at another way, "ecologists" and "brand spenders" are less likely than "improvisers" or "brand savers" to be swayed from their convictions by the lure of money. Fifty-one percent of "ecologists" and 67 percent of "brand spenders" said the statement "won't buy anything unless it's on sale" did not describe them at all. However, 63 percent of "improvisers" and 55 percent of "brand savers" said it did describe them very well or somewhat.

Nearly seven out of every 10 brand-dedicated shoppers said they believed a brand name implies higher quality, while over three quarters felt that they could adopt a simple beauty routine by using a brand name.

In contrast, just 24 percent of all "ecologists" said they agreed that a brand name does imply higher quality and only one third felt using a brand would let them follow a simple beauty routine.

It seems that, along with their sensitivity to environmental issues, goes a perception that a brand name is not a panacea. "Ecologists" seem to feel that one pays a price for simplicity and that price may include a trade-off they are not willing to make, if they feel it jeopardizes their concerns about the environment.

When it comes to beauty care, an "ecologist" is as concerned about potential hazards to her skin and body as she is about hazards to the planet and its inhabitants.

When "ecologists" shop for a makeup and skin product, they want to know the brand they buy is safe: 58 percent said it was "very important" that the makeup they buy has been "clinically tested;" 65 percent said the same about skin care products.

Ecologists are most likely to buy environmentally responsible products

(Percentage who say this describes them very well)

Self descriptions	Ecologists	Brand Improvisers	Brand savers	spenders
I avoid packaging that will endanger the environment	80%	8%	44%	26%
I won't buy products from a company that does animal testing	69	5	24	19
I tend to stay with the same skin care and cosmetic brand	56	46	88	88
I buy spur-of-the-moment without planning ahead	30	34	21	16
I like to follow simple beauty routines	35	15	80	73
A brand name implies higher quality	24	7	68	63
I won't buy anything unless it's on sale	7	14	10	1

Source: Leo J. Shapiro & Associates.

Ecologists favor purity claims in makeup

(Percentage of women who say this is very/somewhat important)

	Makeup products		Skin care products	
	Improvisers	Ecologists	Improvisers	Ecologists
Clinically tested	67%	81%	69%	85%
Doesn't clog pores	78	87	77	87
Hypo-allergenic	70	81	70	84
Fragrance-free	59	67	65	68
Dermatologist-tested	66	82	72	80

Source: Leo J. Shapiro & Associates.

Profile of an ecologist

Characteristics	Percentage who are
Under 35	39%
35-49	30
50 and over	26
Working	33
College	51
Making under $30,000	42
$30,000 to $49,000	35
Over $50,000	23
Mean household size	3
Living in the northeast	25
Midwest	21
South	34
West	19

Source: Leo J. Shapiro & Associates.

1/3 of makeup/skin care buyers are green

When Shapiro & Associates implemented this survey last summer, it discovered that approximately one-third of all cosmetic and skin care dollar sales are generated by women who are "ecologists"—highly sensitive to environmental issues and deeply concerned about animal rights, cruelty-free products and environmentally responsible manufacturing and packaging.

The study was based on a national sample of 1,000 households supplemented with an additional 436 interviews with readers of the magazine, *Cosmopolitan.*

The two samples were combined and weighted to provide a sufficient base for the typographic analysis.

However, only the responses of the 761 women who were the "chief shoppers" within their households were analyzed to provide estimates of the total population.

Last December, *Drug Store News* issued a special report analyzing the brand preferences of these women by age groupings.

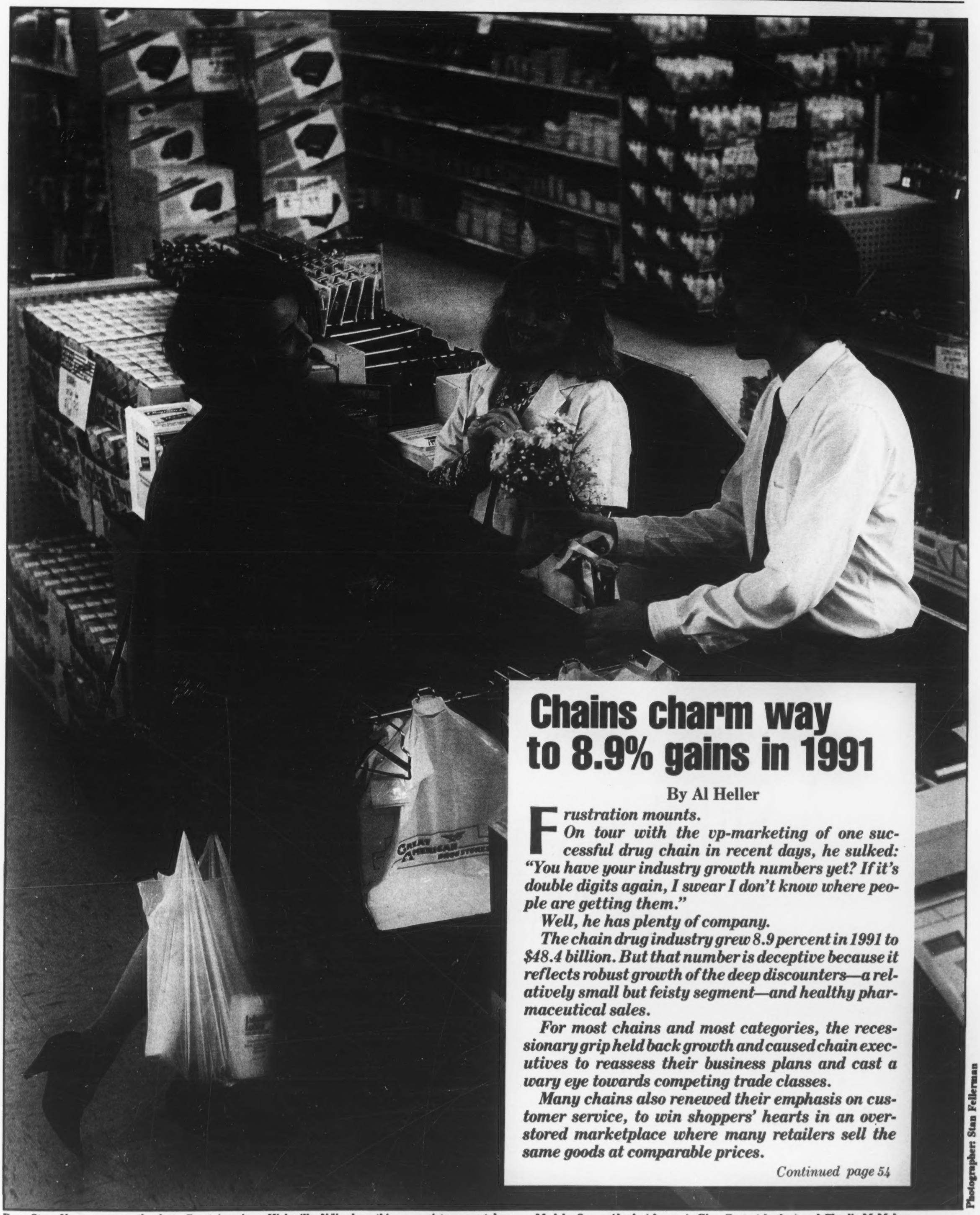
The newspaper of drug store retailing

April 20, 1992

ANNUAL REPORT

PART 1

Overview



Chains charm way to 8.9% gains in 1991

By Al Heller

Frustration mounts.

On tour with the vp-marketing of one successful drug chain in recent days, he sulked: "You have your industry growth numbers yet? If it's double digits again, I swear I don't know where people are getting them."

Well, he has plenty of company.

The chain drug industry grew 8.9 percent in 1991 to $48.4 billion. But that number is deceptive because it reflects robust growth of the deep discounters—a relatively small but feisty segment—and healthy pharmaceutical sales.

For most chains and most categories, the recessionary grip held back growth and caused chain executives to reassess their business plans and cast a wary eye towards competing trade classes.

Many chains also renewed their emphasis on customer service, to win shoppers' hearts in an overstored marketplace where many retailers sell the same goods at comparable prices.

Continued page 54

Photographer: Stan Fellerman

Drug Store News expreases thanks to Great American, Hicksville, N.Y, where this cover picture was taken.

Models: Susan Aberle (shopper), Gina Zyats (checker) and Charlie McMahon

Execs discuss challenges of drug store industry

Jerry Kuske, sr. vp-marketing/ merchandising PayLess

PayLess Drug Stores is a proactive company, and we believe in prescriptive thinking. This means that we plan ahead instead of being forced to react to the conditions of the marketplace.

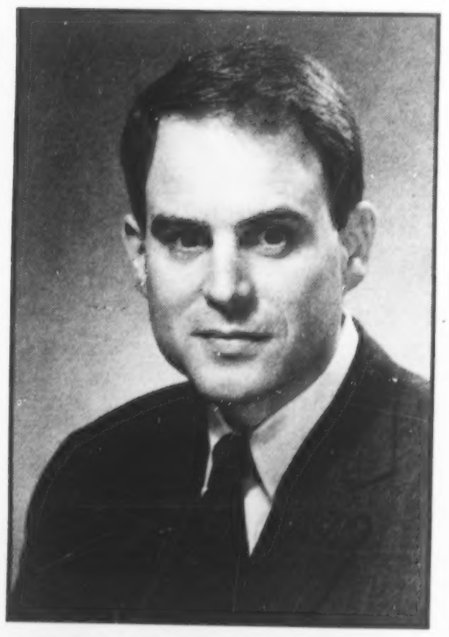
In the past few years, the retail industry has been plagued with layoffs, store closures, takeovers, buyouts and bankruptcies. PayLess Drug Stores has grown remarkably in those same years because of our flexibility in meeting the needs of an ever-changing market. One of the factors contributing to our success is our commitment to evaluate everything we do from the standpoint of what effect it will have at store level. We believe we must make decisions from the customer's perspective.

We realize there is a fine line between being a mega store and a comprehensive drug store. So, we've reduced some of the merchandise we used to carry, and we've moved away from being a "one-stop shop" store. Our goal is to obtain a mix of merchandise that appropriately reflects our image of quality, brand names and reasonable prices. We have drastically reduced the number of imported products in our stores and have increased our focus on national brands.

Technology will give us a dramatic boost in the future. As all of our systems come on line, we will have access to information we have never had before. We have also invested in the technology of television for increased communication between the corporate offices and the stores.

One of the most noticeable changes we've made recently is in our new store design. We now place the pharmacy, one of our core areas, at the front of the store.

We have brought our other core areas to the front of the store as well. This includes cosmetics and HBA and cameras and photofinishing. When a customer walks into a PayLess Drug Store, that customer knows we are a drug store with traditional drug store merchandise. . . .just by looking.



Philip Perkins, VP-marketing, Snyder's

The greatest challenge for 1992 is the declining gross margins in pharmacy. Pharmacy is the fastest growing portion of our business, both in units and dollars. But the increasing percentage of third-party paid prescriptions is significantly eroding the gross margins.

Since third-party paid prescriptions deliver lower gross margins, our challenge is to become more productive and fill more of those prescriptions. We must convince the pharmacy customer to shop at Snyder because we offer more services than our competitors and we do it better.

We are also experiencing sales declines in certain general merchandise categories and seasonal items that in the past have produced very good gross margins. Today other classes of trade are better at selling housewares and seasonal merchandise.

On the other hand we are enjoying growth in HBC, greeting cards, candy and stationery. We think there is a good opportunity for growth in our cosmetic business. We are becoming the drug store we thought we were 25 years ago; pharmacy is almost half of our business while HBC and traditional lines make up the balance.

The primary reason people shop in our stores is convenience, but we still must maintain the correct price-to-value relationship. Last year the consumer became a more value-conscious shopper. In response to that we added a summer coupon book in June and had excellent results. We also had strong sales from our February 1992 coupon book and are adding another one in November 1992.

We have shifted the mix of merchandise in our print advertising towards more high traffic, commodity goods such as groceries, paper products and household chemicals. It's difficult to create a sense of urgency with a circular. Every Sunday the consumer receives numerous circulars in their paper and knows if they don't need paper towels this week, some retailer will be advertising them next week. We have found that the circulars only deliver good results when timed with a natural selling event, i.e., Valentine's Day, Easter, Mother's Day, or the first of the month.

I think the emergence of the value-driven customer is cyclical like the economy. But customer demand for convenience is not cyclical. Convenience will continue to be the most important factor in our business.

Markus Ernst, executive vp, chief operating officer, Arbor Drugs,

All too often, drug stores think that they are competing against other drug stores. Today, with more cross-shopping by consumers, we face competition from many other segments of retailing. Many drug stores continue to embrace quick-fix solutions, such as one-day sales, mimicking what works for mass merchandisers.

Customers, however, are showing that they prefer the traditional drug store format, which has always been Arbor's competitive edge. Today's challenge is using the latest technology, combined with attention to the needs of customers, to make the shopping experience more convenient. The winning drug store chains, including Arbor, are focused on long-term strategies, emphasizing the day-to-day 'rightness' of their stores.

Today's time-constrained customers—often from two-income families—value a strong pharmacy department, convenience and consistency. Facing a wide array of shopping choices, customers want it all: friendlier service, fast response and merchandise that's in stock and competitively priced. Getting customers in and out of the store quickly is important. For this reason, all 121 Arbor stores are laid out identically.

At Arbor, our operation features a separately managed core pharmacy department, photofinishing clerks on-site, well-staffed stores and multiple checkout counters. We are committed to taking the extra steps necessary to meet and exceed customer expectations. Importantly, all 11 Arbor district managers began their careers in our organization as assistant store managers.

While the future for all retailing promises to be ever challenging, we believe there will be even greater opportunities for 'stores-driven' drug store chains in the '90s.

In 1991, chains charmed way to 8.9% gains

Continued from page 47

One sparkling example is the Thrift Drug program unveiled last month which brings back the house call: Pittsburgh consumers within five miles of a Thrift get free home and office delivery.

Snyder's in Minneapolis has for some time been running a home delivery program for prescriptions.

At the same time, Safeway, Kroger and other combination store operators are wheeling in fee-based delivery of grocery and non-food items in hundreds of markets nationwide.

In that sense, at least, it's a kinder, gentler retailing world for consumers.

But as the Gulf War raged, consumers and retailers alike on the homefront waged battles of their own this past year.

Unemployment rose. Consumer confidence sank. And spending froze to the point where, at a recent analyst conference, ceos and cfos concurred that many aren't even looking at same-store sales growth anymore. The game is market share today. Customer counts are steady, but transaction size is flat to down. People are buying less, and chains are often pleased if they're not losing ground to the competition.

A Grey Advertising study in 1991 found that 92 percent of Americans are trying to spend smarter, and 71 percent are spending less. The survey of 725 U.S. households revealed budget cutting in such categories as household cleaning supplies and shampoos, where most people would trade down to lower-price brands, and nearly half buy store brands and generics.

"Clearly, people are shopping for bargains and are more price-conscious than ever before. There is intense pressure on the American family," says Paco Underhill, managing director of Envirosell, a New York-based company that studies shopper behavior in-store.

Consequently, the target shopper is changing. Men are doing more of the family shopping. And since they behave much differently in store aisles, this poses a marketing challenge to drug chains and manufacturers who have historically aimed efforts at middle-aged females.

"Men have the least knowledge of products in the marketplace, and tend to make more purchasing decisions based on what they see and read in the aisles, on the shelves and packages," Underhill adds.

Continued on page 56

Breakout of 1991 chain drug sales

Department	1991 total chain sales (add 000)	1991 % increase	% of total sales	% gross margins	Average turns
Prescriptions	$16,464,297	14.8%	34.0%	30-35%	6.5
OTC/proprietaries	7,145,668	8.9	14.8	25-30	5.0
Toiletries	4,842,509	5.4	10.0	15-25	4.5
General merchandise	3,115,354	4.6	6.4	15-30	5.3
Tobacco	2,765,881	4.9	5.7	10-20	15.0
Housewares	2,550,794	0.9	5.3	35-40	2.7
Stationery	2,474,592	8.3	5.1	40-50	4.5
Cosmetics	2,299,363	5.4	4.8	35-45	2.3
Photo/video	1,976,782	2.7	4.1	20-25	8.0
Consumables	1,946,648	7.4	4.0	15-20	5.2
Candy	1,711,460	6.9	3.5	25-30	8.0
Misc./promotional	1,074,871	4.6	2.2	15-20	NA

Source: *Drug Store News* 1992 survey of drug chains.

Executive comments

Drug store execs discuss challenges of the industry

James Devine, president, CDMA

For our drug chains, 1991 was a year of challenge, increased competition, belt-tightening and cost-justifying all expenses and activities. Conservative purchasing produced excellent sell-throughs; however, chains may have been able to sell more seasonal merchandise had they stocked more of these items.

It was also a year of evaluation, on everything from procedures and staff to advertising and promotional programs to pricing policies and merchandising strategies.

It was also a year of very few new items, although there were lots of closeouts to choose from. We also saw the beginning of aisles, sections or endcaps devoted to 99 cent or $1 items.

TV items, the diet category (especially Ultra Slim Fast) nutritional and natural items, bottled water, teeth whiteners, trading cards, photofinishing and one-hour photo departments all did well. Snack departments and party goods were also strong, perhaps because people are staying home more.

I think that in 1992 we'll see more of the same, but with a different air of optimism. Most chains feel the recession is over and there are signs of the economy coming back in some areas stronger than others.

In 1992, there will be more networking, partnering, and building of alliances than ever before. This past year has taught many of us that the '90s will be different than the '80s. If they don't make changes and don't take care of the customers, the customer will shop the guy next door or across the street.

David Morocco, vp-marketing, Brooks Drug

The most interesting issue is we are going to reduce the distribution cost. In the chain drug industry, we have to become even better at managing the cost of bringing merchandise into our distribution channel and getting it into the stores.

Some of the areas we have to look at are pallet configurations: how many layers we are getting on a pallet, how many cases fit on a pallet, and how manufacturers can help us reduce the number of picks in the distribution center by shipping in seasonal prepacks and doing some prepicking in their distribution centers for us.

As vendors consolidate divisions, we have to also make sure that we are buying at the best price bracket if they offer bracket pricing.

We also have to look at where we are in terms of EDI. Drug chains have been late in getting involved in EDI and we have to get up to speed on using the new technology to not only order better but to better control the flow of merchandise, so that we aren't using our distribution centers as warehouses, but as handling facilities.

Chains charmed the way to 8.9% gains in 1991

10-year sales trends

(in millions)

Departments	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982
Prescriptions	$16,464	$13,949	$12,189	$10,717	$9,426	$8,475	$7,669	$6,733	$5,927	$5,105
OTC/proprietaries	7,146	6,381	5,948	5,362	4,882	4,468	4,087	3,595	3,201	2,879
Toiletries	4,843	4,468	4,134	3,770	3,436	3,230	3,047	2,742	2,457	2,271
General merchandise	3,115	2,895	2,801	2,579	2,023	1,902	2,117	2,009	1,859	1,744
Tobacco	2,766	2,564	2,476	2,364	2,279	2,205	2,127	1,979	1,806	1,702
Housewares	2,551	2,458	2,411	2,245	2,083	2,003	1,676	1,606	1,497	1,389
Stationery	2,475	2,223	2,057	1,810	1,638	1,488	1,352	1,199	1,069	987
Cosmetics	2,299	2,122	1,998	1,834	1,715	1,605	1,481	1,352	1,205	1,107
Photo/video	1,977	1,873	1,746	1,547	1,425	1,294	1,235	1,114	1,001	891
Consumables	1,947	1,762	1,661	1,526	1,433	1,335	1,280	1,209	1,123	1,060
Candy	1,711	1,556	1,469	1,315	1,186	1,067	973	892	793	753
Misc./promotional	1,075	999	968	882	817	745	724	657	589	579

Source: 1992 Drug Store News chain drug survey

Merchants' priority is to develop open fixtures that add to impulse, look good and are highly visible to limit shrink. At PayLess, fragrances are centered within the serviced department.

Continued from page 54

"Men are also much more vulnerable to impulse purchases," he noted. "There's hardly a wife in America who hasn't wailed about her husband, 'I sent him to the store with a list, and instead of spending $3, he spent $40.' "

Therefore, drug store chains that effectively target men can leverage that into market share gains. That is the good news.

Still, men as shoppers are far outnumbered by women. And, men as a potent market force have a long way to go. In shampoo, for example, most men still use whatever their wives or girlfriends use.

Moreover, the next generation of young consumers is shopping feverishly at Kmart, Wal-Mart and Target. And women are finding the one-stop-shopping convenience of combination stores an irresistible lure in many HBA categories.

If drug chains are to remain the preferred outlet for health care, they must stress consultation and expert service. And, if drug chains are to be the preferred retail channel for senior citizens, their retail layouts and signage must be more accommodating.

Some examples: comfortable seats so elderly men can sit while their wives shop; easier-to-read labels and price tags; shelf signs that tell what products are and how to use them, such as distinguishing between five types of cough medicines and, say, eye wash versus eye bath. This information delivery can help drug stores preserve their niche by adding confidence and expertise to the sale of product.

Indeed, D.P. Hamacher, a Milwaukee-based retail consulting firm, says a new study shows that sales of signed items increased 50 percent over the prior month when no shelf signs attracted customers to these products. The range of volume gains on six products sold at everyday prices was 26 percent to 70 percent.

And, there is a carryover benefit: two months later, well after signs were removed, sales of these same products were up 6 percent.

This information edge will be crucial in 1992, which looks to be another lackluster year for retail sales. A new Management Horizons study forecasts 2 percent retail sales gains after inflation. That will be led by 3 percent to 5 percent gains in Texas and northwestern and midwestern regions, but will be trailed badly by New England, Southern California and the mid-Atlantic region.

Looking at some core drug store businesses, pharmacy rose 14.8 percent at chains in 1991. But while pharmacy price inflation helped boost the figure in the past, that pace slowed in '91 and is abating in '92. And with combination stores accounting for over 5,000 pharmacies and Wal-Mart and Kmart operating well over 2,000 between them, drug stores must drive harder to keep the health care franchise that has been their marketplace distinction for so long.

OTCs advanced 8.9 percent, and cosmetics and toiletries each rose 5.4 percent—but drug chains are being pressed hard here by other trade classes.

The stationery business grew 8.3 percent at drug chains, but the serious home office business has largely migrated to such specialty stores as Staples, Office Depot and Workplace.

The photofinishing category—which is such a potent image and traffic builder—is being vied for aggressively by minilabs and microlabs set up in freestanding shops, combos and discounters.

Eckerd is a standout in this business, with its 320 Express Photo in-store minilabs that have helped build the chain's photography business and overall store performance.

For all their challenges in '91 and '92, drug chains had plenty of bright spots too: consumables growth; skin care and bath sets; single-use cameras; the positive impact of designer fragrances; and much more. Detailed category reports in this section relate successful strategies and important trends that will change the face of the business through the '90s.

The Annual Report Part I section was a staff effort. **Liz Parks** covered cosmetics and fragrances, toiletries and ethnic. **Barbara White** covered stationery, greeting cards and candy. **Aliene Symons** covered photo, video, audio and consumables. **James Frederick** covered tobacco and housewares. **Mike Troy** covered general merchandise. **Al Heller** wrote the overview.

Inside the '92 Annual Report

PERFORMANCE

Overview 47
Executive comments 50
Category breakout 54
10-year sales trends 56

PROFILES

Cosmetics/fragrances 59
Toiletries 73
Ethnic 79
Stationery 81
Greeting cards 82
Photo 87
Video 88
Consumables 95
Candy 98
General merchandise 101
Tobacco 109
Housewares 111

Lip, eye cosmetics color '91 sales jump

Drug store chains reported a 5.4 percent gain in cosmetic sales to $2.3 billion in 1991.

Driving this growth were lipsticks, mascaras, face makeups, eye and lip pencils, specialty products like eye creams and wrinkle smoothers, and accessories like cosmetic organizers and cosmetic brushes.

Kathy Johannes, cosmetics and fragrances buyer for Kerr Drug in Raleigh, N.C., reports that in her stores, 1992 is shaping up as the "year of the lips."

"We've been running Revlon lipsticks at $3.99 everyday, and sales have been fantastic. We've selling so much that even at that price, our gross profits only went down 1 percent."

She says that at press time, lipsticks were outselling every other segment in the cosmetic department. "We've gotten much more competitive. We have the lowest prices in town, and we're doing lots of signage."

Revlon's Velvet Touch lipstick and L'Oréal's Colour Supreme are two hot brands in the premium segment of lip color.

Cover Girl's Lip Advance and Maybelline's three newly repackaged lines—Moisture Whip, Long Wearing and Revitalizing Color—are also doing very well, buyers say.

In lip, matte shades are selling best, and women seem to be responding to any brand that delivers long wear and full-bodied coverage.

Among the newest launches, buyers say the picture is looking very good for Revlon's Outrageous Lipcolor, also positioned as a long-wearing lipstick, and Cover Girl's new Remarkable Lipcolor, with aloe and vitamin E.

This year, Coty also has a new line just getting into distribution, a refillable lipstick called Refinements. It's the first refillable in the mass market in many years, and buyers are waiting to see how consumers will respond. One buyer says that at the suggested retail of $6.50, which includes a lipstick and a solid brass case, Refinements is a competitive value.

Refills cost $2.95 at SRP so some buyers think the line will do particularly well with the younger consumers who buy a lot of Maybelline, Cover Girl and price brands like Wet 'n Wild.

In Louisiana, Donna McManus, who buys cosmetics for K&B, reports that she, too, is seeing strong growth in lipsticks.

In K&B stores, Revlon's lipsticks from Velvet Touch through Super Lustrous are doing very well, as is L'Oréal's Colour Supreme and Cover Girl's Lip Advance. Maybelline's lip sales are picking up nicely, and CCA's Mood Magic and the Bonne Bell Lip Smackers are popular.

Kerr's Kathy Johannes says that 1992 is shaping up as the "year of the lips," in her stores.

Service is the linchpin of cosmetics-fragrances growth at drug chains. It induces tradeup sales, and builds customer loyalty and confidence.

1991 cosmetic department highlights in chain drug stores

Chain drug cosmetic sales	$2,299,363
1991 percentage increase	5.4%
Percentage of total chain drug sales	4.8%
Typical gross margins	35%-45%
1991 industry profit yield from cosmetics	$800,000,000-$1,035,000,000
Average annual department turns	2.3

Source: 1992 *Drug Store News* industry survey

1991 cosmetic/fragrances department productivity in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
Total Fragrances	$ 675,031	6.4%	29.4%
Women's	495,600	7.8	21.6
Men's	179,431	2.7	7.8
Total Cosmetics	$1,624,331	6.1	70.6
Face	455,997	6.8	19.8
Eye	379,800	4.4	16.5
Nail	350,844	5.8	15.3
Lip	326,044	8.2	14.2
Accessories	47,022	4.0	2.0
Franchised skin care	48,248	5.2	2.1
Franchised bath care	16,375	8.6	0.7
TOTAL DEPARTMENT	$2,299,363		

Source: 1992 *Drug Store News* industry survey.

Eye color category

Except for mascaras, the eye color category has been soft for most chain drug stores. In shadows, most buyers say that the single pans do well.

McManus is hoping that the new eye shadow formulas launching now, from Revlon and Clarion, will give that category a needed shot in the arm.

Speaking about Clarion's new Captive Color Eye Shadow collection (that comes packaged with a base), she notes that since "a lot of women who wear eye shadow don't bother to use a base, I'm hoping this collection will make consumers more conscious of a base. If they use [one], they [will] get much better wear. If they realize that, we may see a surge of shadow sales just as we did in lip when the longer-wearing formulas were introduced."

Other launches that could generate new activity in the category are Max Factor's new Color Sweep Quick Stroke Eye Color, Revlon's new Custom Eyes Shadow, both of which, like Clarion's Captive Color Eyeshadow, are just getting into distribution.

Factor has used a new technology to develop a brush for Quick Stroke that buyers say is able to pick up just the right amount of color for a given application.

Revlon's new reformulated Custom Eyes has a built-in shadow base for longer wear, while Clarion's Captive Color Eyeshadow has a base included in the same compact with two shades of eye shadow.

Face cosmetics

In face, buyers say women are primarily buying foundations that give them a natural or silky look. At the high end, Hydra Perfecte from L'Oréal has performed well. The Cover Girl face makeups are all doing well and buyers are reporting an upsurge in Rev-

Continued on page 60

Lip, eye cosmetics color sales jump

Continued from page 59

lon face cosmetic sales as well as in sales of the Maybelline face makeups.

Max Factor has a new line shipping that some buyers think will "revolutionize the art of foundation." It's called Color and Light, and it's a liquid oil-free water-based foundation that provides a natural look and is for all skin types.

The buyer for one major Northeast chain says it is formulated with "transparent pigments" that allow the texture of a woman's skin to show through and that makes it seem like the skin is adjusting to different lights.

She described it this way: "You know how you sometimes put makeup on in your bathroom and it looks great and you get to work and under that light, it looks garish. Well, the pigments in this somehow work with light so it looks good under all conditions. I think it could be one of the hottest new items of this year."

Fragrances

Fragrance is another department in cosmetics that has done well this year. Some chains say sales are up 8 percent to 10 percent versus last year, but much of the growth is coming from premium priced department store brands that are starting to migrate into the drug store mass market category.

"More and more the business for designer fragrances is coming to drug stores," says Gene Applebaum, chairman, president and ceo of Arbor Drug Stores.

"This year everybody had designer fragrances," said Steve Lubin, who buys cosmetics and fragrances for Walgreens. "At Christmas, it made it harder for us because there was so much more competition, but it was still the strongest category we had. Today, it's one of the few categories in cosmetics where you can get good dollar volume increases."

Designer brands

Almost every department store brand that buyers can get is doing well from Beautiful through Eternity.

Walgreens has brightened cosmetics with extra lighting that illuminates the service bullpen.

Kerr's Johannes says designers were one of her best items this year.

Eternity For Men is hard to get but she says when she can get it, "I buy as much as possible and it's in and out."

In the mass market fragrance segment, however, only a few lines are doing well. Sales of many mass brands are sluggish.

The strongest performers are still Cover Girl's Navy and Coty's Ex Cla Ma Tion, Lady Stetson, Emeraude and Sand & Sable.

At Kerr Drug, three mass brands, Sand & Sable, Jovan Musk and White Musk were strong this year. Johannes described Sand & Sable as "one of the best sellers in the South; Jovan Musk, I couldn't keep in stock, and White Musk sold through Christmas in October."

This year, Johannes saw movement in men's fragrances picking up again. Drakkar Noir, Eternity For Men, Stetson, and Jovan Musk For Men did the best.

On the West Coast, Shari Ralston, cosmetics and fragrances buyer for PayLess Drug Stores, reports that in the designer category, although Obsession and Eternity are hard to get, when PayLess has them, they sell

Continued on page 62

Hottest new face makeups

Rank	Product	Months in distribution
1.	L'Oréal Hydra Perfecte Makeup SPF-10	9
2.	Maybelline Lasting Finish Matte Liquid Makeup	10
3.	Clarion Perfect Complexion Lightweight Makeup	9
4.	Revlon Sheer Face Color Blushing Powder	11
5.	Revlon New Complexion Concealer	11
6.	Cover Girl Replenishing Loose Powder	9
7.	Flame Glow Natural Glow Blush	8
8.	Maybelline Shine Free Anti-Acne Concealer	10
9.	Flame Glow Natural Glow Press Powder	8
10.	Almay Just Enough Makeup	9
11.	Flame Glow Natural Glow Loose Powder	8
12.	Flame Glow Natural Glow Concealer	7
13.	Flame Glow Double Pan Blush	8
14.	Cabot Perfect Color Retouch Concealer	12
15.	Almay All Day Press Powder	7
16.	Flame Glow Fix It Stick	10

Based on average monthly chain drug dollar volume for products introduced into the drug and food trade classes between Feb. and July 1991.

Source: Towne-Oller.

'More and more the business for designer fragrances is coming to drug stores.'

Applebaum, Arbor

Hottest new lipsticks

Rank	Product	Months in distribution
1.	L'Oréal Cream Rich #302	7
2.	Maybelline Revitalizing #375RL-01	10
3.	L'Oréal L'Artiste Enduring Lip PRL #J028	7
4.	Flame Glow Natural Glow Lipstick	8
5.	Max Factor New Definition Frost	11
6.	Flame Glow Natural Glow Roll-On Gloss	9
7.	Revlon Color Look Lip Base	11
8.	Flame Glow Natural Glow Gloss Stick	9
9.	Revlon Super Lustrous Sheer Berry Bare	11
10.	Revlon Super Lustrous Sheer Nude	11
11.	Revlon Super Lustrous Sheer Clearly Coral	11
12.	Revlon Super Lustrous Sheer Raspberry Revealed	11
13.	Revlon Super Lustrous Sheer Red Translucent	11
14.	Prestige Waterproof Lipstick	11
15.	Revlon Super Lustrous Sheer Barely Pink	11

Note: Mood Magic Perfect Shine Lip Gloss ranked in at number 20 with 11 months distribution, making it the highest ranking small manufacturer on the list.

Based on average monthly chain drug dollar volume for products introduced into the drug and food trade classes between Feb. and July 1991.

Source: Towne-Oller.

Lip, eye cosmetics color sales jump

Drug chains are luring shoppers tired of department store prices. Drug Emporium is benefiting from this class to mass migration.

Continued from page 60

completely through.

The trial sizes of Cover Girl's latest fragrance, Incognito, which went on counter last February, have been blowing out the doors, most buyers say, and right now Incognito looks like it will be the strongest mass launch of the year.

Buyers say Coty also plans to launch a new fragrance later this year, but details are sketchy. Coty's last launch, the 1991 teen fragrance, Tribe, is doing OK, but is not the spectacular launch that Ex Cla Ma Tion was several years ago.

Revlon has increased support for its best-selling mass fragrances, and some buyers say they're seeing good results. Charlie's sales are stronger, and buyers say Revlon's Unforgettable needed more marketing support from Revlon but is finally starting to come into its own.

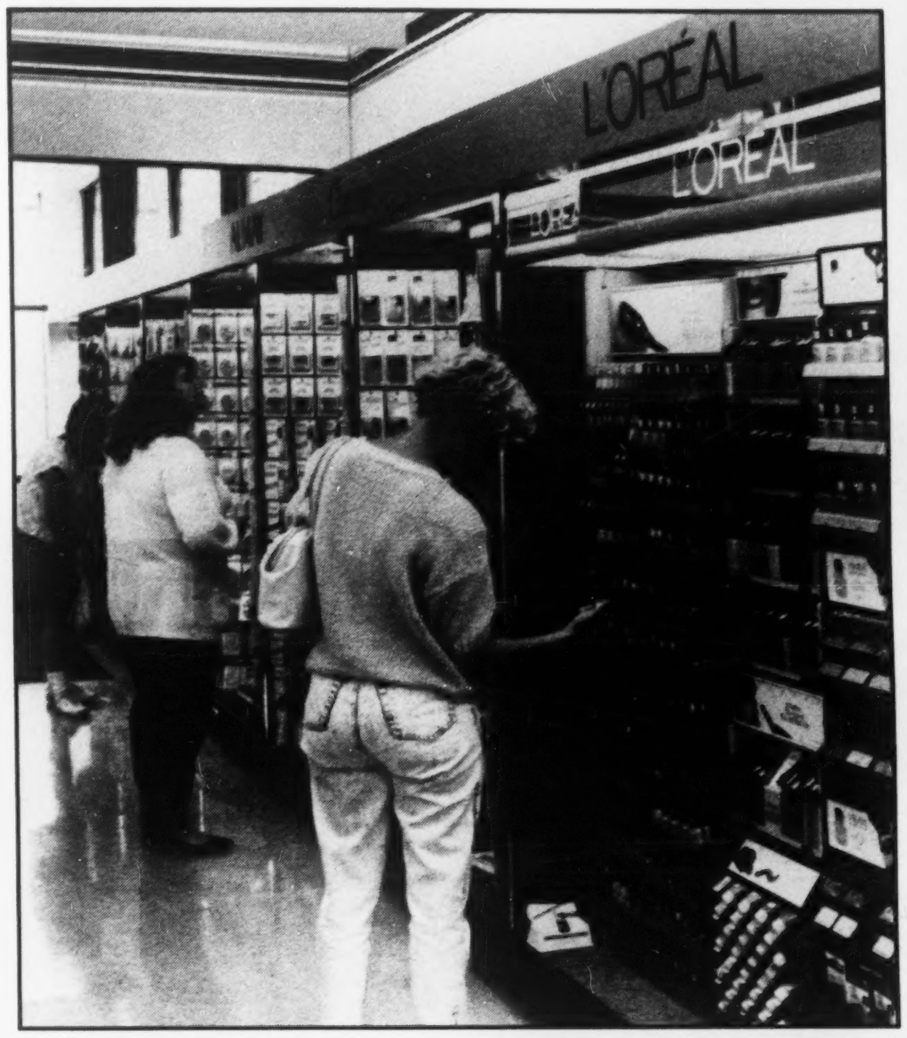
Among the lesser-known brands, the Lady in Red fragrance is gaining distribution, after turning in a decent Christmas sellthrough in many markets, and some chains are considering testing Priscilla Presley's Moments, distributed by Colonia. Moments has done well at JCPenney.

Bath and body, a category merchandised both with fragrances and with skin care, is continuing to do well off a small base.

Del's Naturistics and La Loren's Sarah Michaels are doing very well, particularly when merchandised in an endcap presentation as family lines.

Now Maybelline has acquired Yardley, and buyers are waiting to see what kind of support may be coming that will drive growth in that line. Yardley has been a steady seller, but with more aggressive marketing support behind it, some buyers think it could really take off, and become "another line like Neutrogena," as one source put it.

Later this year, look for Tsumura, Int. to launch another new teen fragrance in time for Back-to-School. Tsumura has acquired the license for the popular TV hit show Beverly Hills 90210. It plans to launch a Beverly Hills 90210 fragrance line this fall with support in key teen magazines and follow it up with a promotional cosmetic Beverly Hills line in early 1993.



Lipstick sales are hot and are setting the pace in color cosmetics volume. High-impulse wall fixtures at Perry get a lot of attention.

Hottest new cosmetic accessories

Rank	Product	Months in distribution
1.	Swisspers Cotton Rounds 5 count	7
2.	Swisspers Cotton Rounds Box 80 count	8
3.	Up Stage Blusher Brush	6
4.	Up Stage Powder Brush	7
5.	Up Stage Pop-Up Matal Brush	7
6.	Up Stage Foam Applicators	7
7.	Up Stage Super Brush	7
8.	Up Stage Eye Shadow Applicators 30 count	7
9.	Up Stage Large Super Brush	6
10.	Up Stage Eyebrow Comb	7
11.	Up Stage Eye Pencil Sharpener	7
12.	Up Stage Soft Shading Brush	6
13.	Victoria Vogue White Foam Puffs #212	6

Based on average monthly chain drug dollar volume for products introduced into the drug and food trade classes between Feb. and July 1991.
Source: Towne-Oller.

Hottest new mascaras

Rank	Product	Months in distribution
1.	Revlon Long & Lustrous Mascara	11
2.	Maybelline Perfectly Natural Mascara	10
3.	Max Factor Splish Splash Mascara	11
4.	Revlon Spring Waterproof Mascara	10
5.	Flame Glow Waterproof Mascara	7
6.	Flame Glow Natural Glow Long Mascara	8
7.	Flame Glow Natural Glow Thick Mascara	8
8.	Maxi Curly Mascara	7
9.	Revlon Slim Mascara	10

Based on average monthly chain drug dollar volume for products introduced into the drug and food trade classes between Feb. and July 1991.
Source: Towne-Oller.

Hottest new cuticle removers/treatments

Rank	Product	Months in distribution
1.	Sally Hansen Vitamin E Nail Cuticle Oil .45 oz.	8
2.	Sally Hansen No More Dry Cuticle .45 oz.	8
3.	Cover Girl Salon Solution Pumice Cuticle Cream	10
4.	L'Oréal Cuticle Rescue	8
5.	L'Oréal Cuticle Tamer	8
6.	Supernail Cuticle Cream	8
7.	Jonel Cream Away Cuticle Remover .5 oz.	10
8.	Nail Magic Cuticle Cream .5 oz.	7

Based on average monthly chain drug dollar volume for products introduced into the drug and food trade classes between Feb. and July 1991.
Source: Towne-Oller.

Hottest new eye shadow makeups

Rank	Product	Months in distribution
1.	Flame Glow Natural Glow 4-Pan Shadow	7
2.	Flame Glow Natural Glow 3-Pan shadow	8
3.	Max Factor Shadow Blocks	11

Based on average monthly chain drug dollar volume for products introduced into the drug and food trade classes between Feb. and July 1991.
Source: Towne-Oller.

Hottest new nail polishes

Rank	Product	Months in distribution
1.	L'Oréal Nail Gloss Magnifier	7
2.	Max Factor Rosewater Nail Blush	8

Based on average monthly chain drug dollar volume for products introduced into the drug and food trade classes between Feb. and July 1991.
Source: Towne-Oller.

Specialty items grab spotlight in skin care

This year, specialty items are emerging as one of the strongest growth categories within skin care.

F&M is testing a new line of carded cosmetic skin care specialty items that pull together about 15 different specialty treatment products under one label: the Signature brand from Winarick.

"They have the specialty items you can buy in department stores, like a wrinkle serum or an eye defense gel, but their pricing is very moderate—between $4 and $6," says Gardocki. "I think if you can pull these little specialty items together under one brand with reasonable retails, you have a better presentation and the chance to induce more customers to try the items."

On the West Coast, there is a growing interest in correction cosmetics, sometimes known as "camouflage" cosmetics.

Carolyn Redmond, cosmetics manager for a Longs store in Auburn, Calif., reports that consumers are coming in looking for items like Sudden Change or the leg and face makeups from Covermark.

"We're getting numerous calls for Sudden Change and I think it's because of the advertising they're breaking," she says. "We've had Covermark about six months now and it's constantly moving, and I think that's because there's a market for it. The other cosmetics we stock aren't meant to camouflage flaws. Covermark fills an unmet need."

At Revco, Judy Wray, senior cosmetics buyer, describes lines like the Winarick's Signature specialty skin care family of products, CCA's Sudden Change and the West Cabot specialty items as "real niche businesses that are very interesting to develop.

"They do quite a lot of business for what they are. We do an encouraging amount of business with Sudden Change in our side-wing program."

In New York, Stephanie Hayter, who buys cosmetics for Genovese Drug Stores, is hoping that Noxell's current relaunch of its Clarion line will re-spark skin treatment sales.

"They're using more shelf talkers to identify specific product benefits, and that could be good," she said.

Hayter also feels that the new Almay Problem Solution benefit-specific skin care line, which was recently launched, should do well. "Women should find it easy to use, since Almay links the problem with the solution-products in the line," she says.

In Texas, Phil Turner, Cullum's cosmetic buyer, says Tom Thumb Page is in the process of converting its stores to a family merchandising presentation, which will let the franchised skin treatment lines be merchandised next to their sister lines in color cosmetics. He's hoping that may spark sales.

"Plénitude is the best line that we have right now," he says. Its new eye cream has been particularly strong.

In Minneapolis, Susan Lund, who buys cosmetics for Snyder Drug Stores, says her skin care sales are still growing, but her strongest business is coming from the well-known brands that are merchandised on the wall in cosmetics.

"The smaller brands are slow. People seem to be buying what they see advertised: Plénitude, Almay, Olay and such."

Lund says Almay "has a lot of nice little niche items, and people like them. Everyone likes to think they have sensitive skin too, and that image has helped Almay."

> *'Women are working, and now and then they want to treat themselves to a bubble bath and they'll pay more for a nice product.'*
>
> **Monk, Harco**

Bonne Bell skin care also does great for Snyder. "Their whole 10-0-6 line really moves for us. And they don't have real deep pockets for advertising, but they do enough to keep their name visible and viable."

Bath care

In Alabama, bath products are doing particularly well for Harco Drug right now. Buyer Charles Monk is going to add a six SKU assortment of Vita Bath to his department to see if it will satisfy the needs of customers who want a more premium line of products.

"Women are working today, and every now and then, they want to treat themselves to a nice bath oil or a bubble bath, something relaxing, and they'll pay more for a nice product," he says.

What's new in face makeups

Brand	Manufacturer	Launch date quarter	Comments
Physicians Formula	Pierre Fabre	2nd '92	Major relaunch. New formulas. New packaging. More advertising in print. Expanding distribution.
Max Factor Color & Light Makeup	Max Factor	1st '92	Innovative new line. Oil-free, Water-based foundation creates a sheer, flawless look. The breakthrough formula contains transparent pigments, spherical powders, and hollow microspheres that allow the skin's own texture to shine through. 10 shades. $7.95
Almay Cream Makeup Moisture Tint Sports Formula Makeup	Revlon	1st '92	New formulas. Maximum coverage foundation. 4 shades $7.50 Sheer, natural waterproof coverage 3 tones. $4.50.
Luxury Finish Loose Powder			Ultra-light, silky to correct imperfections. 5 shades. $5.75
Matte Finish Complexion Balancing Pressed Powder			For normal to dry skin. 6 shades. $5.25
Oil Blotting Pressed Powder			Lightweight. Soaks up oil. 6 shades. $5.25
Clarion Sheer Illusion CremePowder Blush	Noxell	1st '92	New line. Long wearing. Combines long wear benefits of a cream with soft, blended look of a powder. Part of major 1992 relaunch. 8 shades. $7.95
Clarion Silk Perfection Pressed Powder	Noxell	1st '92	New line. Innovative. Silky feel, light coverage plus longer wear. Part of major 1992 relaunch. 3 shades. $7.95
Clarion Makeup	Noxell	1st '92	Major relaunch. New products. New packaging. New image as premium priced line for sensitive skin. One of Top 5 brands in ad spending.
Springwater Blush	Revlon	1st '92	Line extension First blush line made with 100% springwater. 6 shades. $7.35
Almay Teen Treatments and Cosmetics Clean Up Cleansing bar Totally Clean Face Cleansers Clean Out Cleansing Pads Clean Off Skin Astringent Extra Clean Skin Astringent Trouble Spotter Acne Pimple Medication Oil Stopper Anti Acne Gel Oil Free Makeup Mega Eyes Pencils Liquid Outliner	Almay	1st '92	Treatment and makeup collection targeted toward teens. Seven skin care essentials and three cosmetic basics. SRPs: $2.60 to $4.00 for cleansers; $5.00 for specialty items; $3.75 for face makeup.

Source: *Drug Store News* Survey.

Hair care gets lift; while skin, sun sales shine

So far in 1992, hair care sales overall have been flat for most chain drug stores.

However, there are growth segments, particularly value-price brands like White Rain and Suave; higher-end premium brands with heavy advertising support behind them like Salon Selectives, Finesse and Colorvive; salon knock-off brands like the Russ Kalvin "generic" versions of popular salon brands; two-in-one formulas like Pert Plus and Vidal Sassoon Advanced Care; and specialty items like friz controllers, shine enhancers and hot oil treatments.

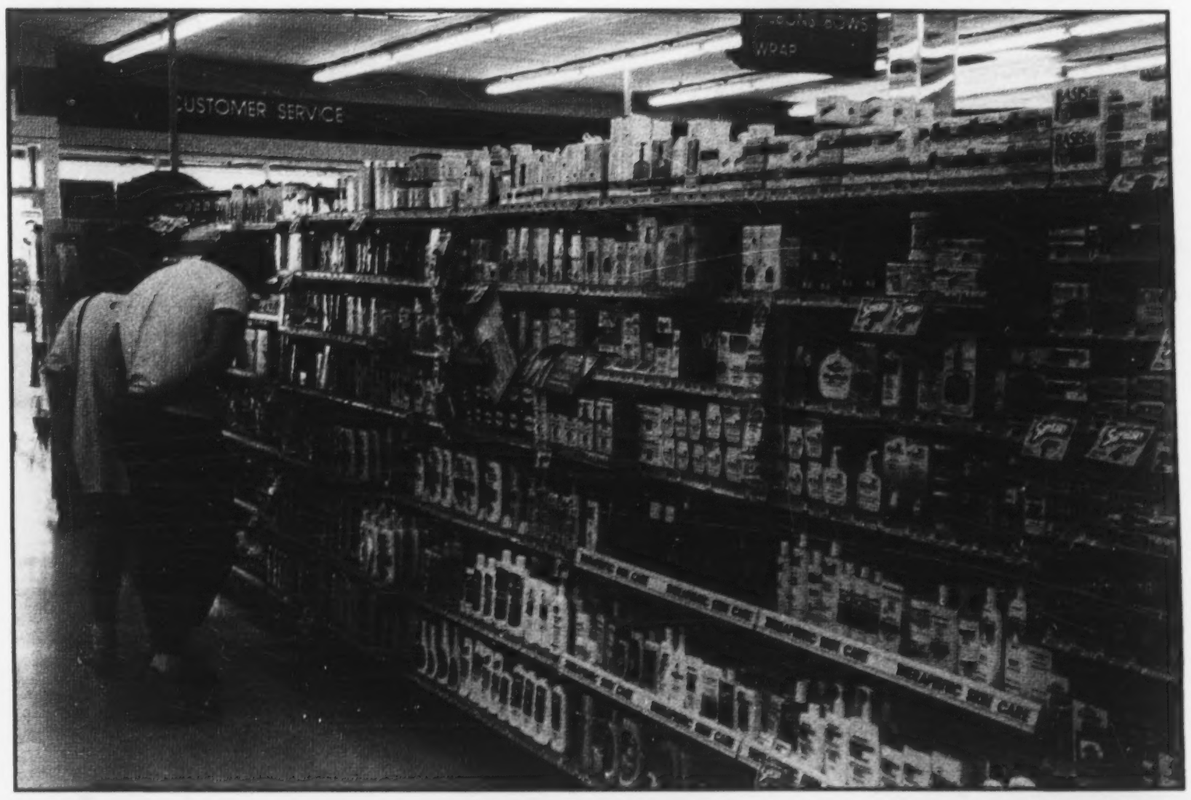
In the skin care segment of toiletries, dollar sales overall have been stronger, up as much as 10 percent to 12 percent for some chains.

Sales have been even higher for chains experimenting with upscale presentations, which often include prestige HBA lines like Plenitude, Neutrogena, Olay, Nivea and Freeman merchandised as regimens together with the franchised lines like Almay, Revlon and Clarion, and sometimes with department store lines like Clinique, Elizabeth Arden and Esteé Lauder.

Sun care sales have also been strong, fueled by decent weather in most parts of the country during the peak season, as well as by ever-growing concerns of potential sun exposure damage.

Another segment of skin care showing above-average growth is bath care. Many chains are trying boutique bath care presentations and endcaps that spotlight full bath care regimen lines, like Sarah Michaels and Naturistics.

Overall, toiletries grew 5.4 percent to $4.84 billion at drug chains in 1991 on the strength of these leading categories.



Fast-growth skin care products are well delineated at Eckerd, which also uses shelf extenders, price comparison signage and manufacturer literature to capture shopper attention.

Hair care

Now that hair care has evolved into a high tonnage, commodity category with distribution in many different kinds of mass market outlets, chain drug store merchandisers are fine-tuning their planograms.

Many chains, among them Perry Drug, Harco, Revco and Drug Emporium, are shrinking the space they give the slowest-turning segments and brands, like mid-priced shampoos, to give expanded space to the growth segments or the niche brands with greater profit potential.

"The hair care category is flat," says Perry Drug's hair care buyer, Dave McDermott, "but the premium and the low-end brands in the shampoo category are growing, and so are brands in the specialty segment."

McDermott has shrunk his hair care presentation of mid-priced lines and given the space to premium lines like Vibrance and Freeman, which is being moved out of Perry's planogram for professional hair care products and into the planogram for premium lines.

Snyder's hair care buyer, Paul Carlson, has given more and more space to specialty items like Frizz-Ease or Hask Pure Shine.

Carlson says that what he like best about the specialty lines targeted to specific niche needs are their profits. "Even a premium line like Salon Selectives has gotten so popular that everyone advertises it these days," Carlson says.

"It's getting harder and harder to make money on the big brands because everybody has them, and who can compete with Wal-Mart and Drug Emporium everyday?"

Carlson has also brought in the Russ Kalvin line and done well with it.

He says "It's a good, steady business at decent margins. A customer doesn't always want to spend $8 or $9 for the salon brands. But she will spend $3 or $4 if she can find a comparable brand in our stores."

In Alabama, Harco's Charles Monk has a new planogram for hair care that merchandises all the premium-priced shampoos on the top two shelves right at eye level.

"We've put all the higher-priced brands—Vidal Sassoon, Colorvive and Permavive—on the top shelves to make it even easier for shoppers to find them. This is our best category in shampoos, and it's also the most profitable. So far, the presentation is working. Our sales on these lines are up," Monk says.

At Drug Emporium in Columbus, HBA director Dale Rogers is continuing to merchandise the department by price points. Professional brands lead the department; the next section is for brands that were professional but are now warehoused like Infusium; then come the mass brands with a professional image like Salon Selectives; and so on down to the price-value brands.

Rogers says the presentation has been very effective, making the higher-end brands more visible generating multiple sales within families.

Skin care

Chains like Drug Emporium, F&M and Eckerd, which have merchandising programs that enhance the presentation of upscale lines in some type of skin care center or regimen department, are reporting the strongest growth in skin care.

Continued on page 75

1990 toiletries department highlights in chain drug stores

Chain drug toiletries sales	$4,842,509,000
1991 percentage increase	5.4%
Percentage of total chain drug sales	10.0%
Typical gross margins	18%-25%
1991 industry profit yield from toiletries	$872,000,000-$1,200,000,000
Average annual department turns	4.5

Source: 1992 *Drug Store News* industry survey.

1991 toiletries department productivity in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
Skin care			
Face creams/lotions	$ 491,091	7.0%	10.1%
Hand/body preps	346,844	3.8	7.2
Acne preps	257,812	8.4	5.3
Suntan/protection	161,211	5.8	3.3
Specialty soaps	88,553	1.9	1.8
Hair care			
Shampoos	505,730	5.7	10.4
Conditioners/rinses	391,720	4.6	8.1
Hair color	316,723	8.4	6.5
Styling aids	183,278	7.9	3.8
Sprays	106,490	4.1	2.2
Perms	73,216	6.8	1.5
Accessories	54,898	7.3	1.1
Men's hair preps	107,206	7.4	2.2
Ethnic	313,023	4.5	6.5
Deodorants	500,424	4.6	10.3
Razors and blades	408,787	7.1	8.4
Shave creams/gels	149,488	8.7	3.1
After shave preps	83,808	1.4	1.7
Pre shave preps	12,057	0.6	0.2
Depilatories	16,662	1.7	0.3
Miscellaneous	273,487	6.8	5.6
Total	$4,842,509		

Source: 1992 *Drug Store News* industry survey.

At Shoppers Drug Mart, mainstay toothpastes are surrounded by high-margin dental accessories to bring extra profits to heavily trafficked category.

Hair care gets lift; while skin, sun sales shine

Continued from page 73

Their presentations have been designed to increase the visibility of the category within their stores, to make it easier for customers to shop the category "their way rather than the store's way," as one buyer put it, and to enhance the image and profitability of the category by expanding the assortment to include upscale lines like Clinique, Esteé Lauder and Elizabeth Arden whenever possible.

In Detroit, F&M has developed several different merchandising presentations for upscale skin care lines.

F&M merchandises family lines like Revlon, Almay and Clarion on the wall with color cosmetics; but in some stores, it also cross-merchandises these lines in what Pat Gardocki, director of cosmetics, calls F&M's new "regimen" skin care department.

The 24-ft., vertical skin care regimen set is currently just in F&M's newest prototype stores, but Gardocki says the presentation is so attractive that F&M plans to put it in all new and remodeled stores.

Gardocki says F&M hopes to roll out a smaller version of the regimen set to all F&M stores, but with space allocations that fit existing store needs.

Gardocki says F&M is trying to develop planograms that organize departments the way customers use them.

"The customer doesn't distinguish between Neutrogena as an HBA line or Almay as a franchised line. That's a distinction we make as retailers. We think that customers who are interested in regimen skin care or in family lines want to see them merchandised together. It's easier for them."

Sun care

In sun care, the hot spots right now are the sport lotions and the self-tanning lotions.

In Detroit, Pam Nyberg, senior HBC cosmetics buyer for Perry Drug, says she is seeing the most dramatic growth in the those two subcategories.

Nyberg says Perry had a good selling season last year due to good weather, and hopes for another decent year in 1992.

Perry merchandises suncare by families in sets that range from 8 to 12 feet at peak season.

This year, Perry has added one new line to its planogram, Vuarent. Nyberg says she thinks the packaging is attractive, and it has a good name. "If it does well, it will add to Perry's profits," she said. Last year, Nyberg added the Panama Jack family line to her planogram, and it did very well.

Most chains are giving more and more space to the major sun care lines, especially the Schering-Plough lines; Coppertone's Water Babies, Tropical Blend and Shade; and Bain de Soleil, which has successfully repositioned itself so that its high-protection SKUs sell just as well as the tanning SKUs that made the line famous.

Other strong lines are Hawaiian Tropic, Banana Boat, VIC Sun Care, and Panama Jack.

In Texas, Cullum's sun care buyer, Phil Turner, says the Bain de Soleil and Coppertone self tanners and sport lotions are selling like there's no tomorrow, which apparently some sun-wary consumers think there may not be, if they don't protect themselves.

Turner says all line extensions of the sports lotions and sunless tanning lotions are doing well.

In Columbus, Ohio, Dale Rogers, Drug Emporium's HBA director, says "the best SKU in every line I have is Sunless. In Banana Boat, Sunless accounts for 35 percent of my sales, and it's in the top movers for Coppertone, Hawaiian Tropic and Bain de Soleil.

In New York, Robert Burtis, who buys sun care for Kinney Drug, says he's stocking the formulas that consumers associate with a given brand's area of expertise. That means he's basically carrying just the tanning SKUs from Hawaiian Tropic and more of the higher SPFs from Bain de Soléil.

This year, Kinney is testing some lower SPF items from Vuarent because Burtis thinks they will appeal especially to teenage consumers.

"They're imported from France and the package is very superior. I just have a very good gut feel about the line. If they sell, I'll expand the line next year."

In Minneapolis, Paul Carlson, who buys sun care for Snyder Drug, says sunless tanning and sport lotions are selling well, but so far this year there seems to be less innovation in the category than there has been in previous years.

However, Carlson likes the new Hawaiian Tropic SPF 15 sunless tanning lotion because it's the first sunless with that high an SPF, "and you know sales of the higher SPF sun protection items have been very strong."

At Drug Emporium, Dale Rogers also thinks the Hawaiian Tropic Sunless Lotion SPF 15 will be a winner, saying "a sunless lotion with SPF 15 should meet a real need."

Schering-Plough has also introduced an 8-oz., economy-size to Water Babies, and Rogers thinks this SKU will also do well. "Mothers who use Water Babies on their kids tend to use a lot, and this will give them a good value. Plus, Coppertone owns that category with Water Babies."

Coppertone also has a high SPF 30 Sport Lotion, and because the trend has been towards higher SPFs selling well, Carlson also thinks that will be a winner.

What's new in hair

Product's brand name	Manufacturer	Launch date quarter	Comments
Rave	Chesebrough-Pond's	3rd '92	Repackaged.
Pantene Pro V Shampoo and Pro-Vitamin Conditioner In One and Pro-V Pro-Vitamin Treatment Conditioner	P&G	1st '92	New line. 1st 2-in-1 with Pro-vitamins. 13 oz. Priced approximately the same as the 7 oz. regular Pantene line. $3.69 4 formulas plus 2 deep conditioners. Shine enhancing. Improves health of hair.
Clairol Condition 3-in-1 Shampoo Plus	Clairol	1st '92	New line. Cleanser with conditioning and protective benefits, all in one step. 4 formulas. 12 oz. $2.59 SRP ProVitamin B 5 and sunscreens. National rollout.
Alberto Frizz Solver and Shine Enhancer Leave-In Conditioner Upside Down Volumizing Spray	Alberto Culver	1st '92	Line extensions. Multi-benefits Conditions without weighing hair down Innovative package. Upside down can sprays evenly and consistently from any angle. $2.99.
Salon Profile	Goody Products	1st '92	Innovative new brush line ergonomically designed with distinctive "hold me" contour shapes and comfort grip.
Twist Wrap	Goody Products	1st '92	New hair accessory collection. Ruffled ponytailers in an array of fabrics and colors.
Citré Shine Foam Brilliance Styling Mousse	Advanced Research Laboratories	1st '92	Super body styling-mousse. $3.99 to $4.99.
Rogaine For Women	Upjohn	1st '92	Prescription drug that helps remedy hair loss. Ads state it is the only product proven to grow hair.
Vibrance	Helene Curtis	1st '92	Major launch. New premium priced line of shampoos and conditioners. $50 million Ist year ad budget.
Playtex Jhirmack La Coupe	Sara Lee	1st '92	Sara Lee acquires a 25-percent share of Playtex personal care products.
Studio Line Roller Derby	L'Oreal	1st '92	Line Extension. Styling product with a specific niche. For consumers who use non-heated roller sets or pin-sets. Quickly curls or waves. Conditions hair. Holds shape. Adds body and bounce. $3.69.
Lilt Styling Line Spritzer For Perms Spray Gel Revitalizer For Perms	Dep	1st '92	New styling line from the Lilt Home Perm brand. 3 SKUs for permed and curled hair. SRP $2.99.
Lilt For Total Condition	Dep	1st '92	Line extension. A self conditioning, self timing perm. SRP $6.99
Forget The Frizz Moisturizing Shampoo Remoisturizing Conditioner Frizz Eliminator Curl Enhancer Leave-In Conditioning Nourishment Alcohol-free Hair Spray Alcohol-free Spray Gel	BSP Labs	1st '92	New line of "environmentally safe" hair care products to alleviate dry, frizzy hair. 7 SKUs.
L'Oréal Permavive Technicare Gentle Shampoo Conditioner Curl Energy AntiDry Five Minute Treatment	L'Oréal	1st '92	New line of six "scientifically advanced" products for permed hair. $3.79 SRP Unique, innovative formula that both conditions hair while energizing curls. Two formulas for the shampoo and conditioner. $17 million in ad support for 1992. Major launch.
Jose Eber Hair Care	Jose Eber Hair Care Co.	1st '92	Nationwide rollout. Expanding distribution. Was relaunched in 11 states 2/91. SRP $3.49 to $3.99. 16 sku line. $15 million in ad support.

Source: *Drug Store News* Survey.

Chains push mass ethnic lines with upscale promotions

With sales essentially flat in the ethnic category, chains are promoting more and also upscaling their presentations.

Some are adopting a micro-marketing strategy, setting their stores in high-volume ethnic neighborhoods with the shades and products preferred by African-American or Hispanic consumers.

And almost every chain is expanding its ethnic cosmetic presentation to take advantage of the success of new mass ethnic cosmetic lines like Maybelline's Shades of You, Pavion's Black Radiance, Artmatic's Tropez, Worlds of Curls' Simply Satin and Almay's new Darker Tones.

Down the line, chains are getting ready for two new entries into the category later this year, one by Revlon and the other by Cover Girl.

Ethnic cosmetics has been the brightest segment of the category, with many chains reporting sales increases as high as 50 percent to 75 percent as they roll out new lines and shades to more stores.

Most buyers with four or more high volume ethnic stores now have at least three ethnic lines in their planogram, usually Posner and Shades of You in the mid-price range and either Black Radiance or Tropez in the lower price range. A few chains like Walgreens have added Simply Satin, the highest price point mass line, to their planogram and reported very good movement.

Photo courtesy of Tropez.

The Almay line was just showing up in stores at press-time, but buyers were already reporting robust sales. Most chains are simply replacing the white shades in their planogram with the new shades formulated specifically for darker skin tones.

The ethnic hair care story, on the other hand, has been disappointing. Last year and for the first quarter of 1992, chain drug category sales have remained flat. Both distributors and buyers for retail drug chains say the problem is that no high maintenance styling trends have emerged to drive sales.

With a few notable exceptions, there has not been a lot of activity in new products. What's more, competition from other trade classes like Beauty and Barber stores and discount department stores is intensifying.

"Except for ethnic cosmetics, which has really taken off, ethnic beauty care sales are flat," says Harco's ethnic hair care buyer Charles Monk.

Ethnic cosmetics has been the brightest segment of the category, with sales increases as high as 50 to 75 percent.

"Ethnic hair care sales has been a little soft for us," says Perry's vp of merchandising, Steve Lund. "There's a lot more competition from other trade classes. And in Detroit, we have extra competition from the beauty and barber stores. They operate with such a low overhead that's hard to compete on prices."

Some chains are trying to revive the category by reexamining their pricing strategy. Perry has cut back prices on key ethnic hair care items, while the buyer for another major mid-west regional chain is examining her pricing and hoping to persuade management to take a roll back.

Photo courtesy of Shades of You.

Many buyers are also trying to develop marketing initiatives that don't rely on price alone to drive sales. Particularly when faced with competition from B & B shops, many chains have discovered that they can't compete on price without cutting margins to the bone.

"If I cut my margins much further," said one buyer, "my management is going to ask me why we have this category. If we can't make any money on it, they're want to drop it, and if we drop it, I know I will lose customers in ethnic neighborhoods in droves. So we are trying to look for other avenues of reaching this market."

For many chains, that means changing their advertising strategy to include popular black radio stations as well as print; direct mail as well as in-store circulars; in-store events like contests and make-overs to create excitement.

More and more chains are trying to develop community service programs like the Perry Drug Doo-It-Up art achievement awards that help local high school students win $1,000 grants.

Chains with major concentrations of high-volume ethnic stores like Walgreens, Eckerd and CVS/Peoples are co-sponsoring fund raising drives to benefit institutions like the United Negro College Fund. Others like Harco are sponsoring fundraising drives for local churches.

Dazzling styles, lower prices help 'write' up gains

Fashion, color and licenses drove the back-to-school end of stationery, while home office grew in part from successful introductions of lower-ticket items for executives on a budget.

Overall, stationery advanced more than 8 percent in 1991, owing to its strength as a staple even in a sluggish economy.

A move to push the category's buying shows up from the previous February time slot to November and December gave retailers a jump start on creating their merchandise mixes for 1992. Many retailers felt that the new timing better suits their buying schedules.

At the industry shows in Chicago in November and New Orleans in December, bright colors, dizzying designs and glittery surfaces—on everything from Pentech pencils to K&M three-ring binders—got buyers' full attention.

Colors, styles

Moms, children and school supplies are a major market drug chains can satisfy with everyday paper goods and writing instruments at competitive prices.

Holographic patterns and geometrics signaled a throwback to the '60s. In terms of color, jewel tones (in violet, teal and emerald) appeared on the scene as a counterpoint to the neon colors which have dominated back-to-school products for the past two years.

In contrast to fashion and color, Stuart Hall identified an important niche in back-to-school. The vendors Tech—with improved binding, heavier paper and an organizational pocket—is designed to appeal to forward-thinking high school students who want their notebooks to look like college-quality products.

Licenses

For the younger and less-serious minded, retailers reported that licenses were still strong. Although sales of Teenage Mutant Ninja Turtles merchandise cooled off a bit, *The Little Mermaid, 101 Dalmations* and "Beverly Hills, 90210" licensed products had plenty of steam. And at chains such as Walgreens, Barbie retained her title as queen of licensing on products targeted at little girls.

Mead's Electric Mickey products, which had great appeal for the small set, performed well in stores. The category is expected to get more fuel from *Beauty and the Beast*-themed merchandise in 1992. And the licensed character to watch in 1992 is James Bond, Jr.

Consumers also responded to new features in pens and made more multi-pack purchases. PaperMate's flex grip line rubberized barrel stick pens continued to double their sales—even at its $1.09 average retail.

Home office

Home office got a dose of fashion. Practicality and function hasn't been sacrificed for this plunge, however. In an effort to bring organization to a greater number of customers, some manufacturers have introduced lower priced lines to appeal to the industrious consumer on a budget.

Rubbermaid introduced an eight-SKU line of desk items in new art deco design retailing for 59 cents to $5.99. Esselte Pendaflex now offers a line of file boxes at lower price points than its other, similar lines.

Although growth in home office hasn't sustained its dizzying pace of the past few years, some chains, such as Phar-Mor, expanded their departments in 1991. The chain is backing home office in a big way, with big-ticket office supplies at many locations and a catalog business.

Green products

Recycled products still get a mixed review from retailers. Snyder and Hook-SupeRx found that only if they offered customers a recycled product that was of similar quality and price to other products, green would sell.

Vendors continue to market green products but with an eye on keeping them priced on par with non-recycled products. Stuart Hall unveiled its improved Green Leaf line, which is 100 percent recyclable and has a 60- to 100-percent post-consumer waste product. Esselte is still holding strong with its EarthWise line.

One bright area for retailers was arts and crafts products. Retailers are finding that activity kits that combine fun and learning have great appeal among kids and their parents. Retailers enjoy their 50-percent margin.

Retailers also found that when offering customers an obvious advantage, such as washable markers, they could get parents to trade up on purchases. Binney and Smith's washable crayons and Pentapco Inc.'s washable markers have been favorites among buyers for their sales' appeal.

Drug chains snatched a piece of the surging home office business, and grew stationery 8.3 percent through improved, well organized assortments.

Binney and Smith, Rose Art and Creative Learning Products introduced a slew of new activity kits for 1992 in a variety of price points. Rose Art's kits are priced up to $19.99, while Creative Learning Products' kits retail for $5.99.

1991 stationery/greeting cards highlights in chain drug stores

Chain drug stationery/card sales	$2,474,592,000
1991 percentage increase	8.3%
Percentage of total chain drug sales	5.1%
Typical gross margins	40%-50%
1991 industry profit yield from stationery/cards	$990,000,000-$1,235,000,000
Average annual department turns	4.7

Source: 1992 *Drug Store News* industry survey.

1991 stationery/cards department productivity in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
School/home office	$1,090,148	44.1%	44.1%
School goods	388,151	9.7	15.7
Home office	188,189	6.3	7.6
Writing instruments	149,991	8.4	6.1
Activity kits/crafts	154,334	8.6	6.2
Mailing center	122,887	8.3	5.0
Social stationery	86,597	4.2	3.5
Greeting cards	843,492	8.6	34.1
Gift wrap/party goods	195,960	6.3	7.9
Books & magazines	344,991	7.2	13.9
TOTAL	$2,474,592		

Source: 1992 *Drug Store News* industry survey.

Cards substitute for gifts, rack up solid '91

The recession hasn't hurt the greeting card category; in fact, it may be helping. While a squeeze on their budgets may force consumers to reconsider gift buying, cards remain a relatively inexpensive impulse purchase.

That may have contributed to the growth of the category. U.S. retail sales of greeting cards totalled $5 billion in 1991, according to the Greeting Card Association. That represents a growth of 8 percent over 1990's annual sales of about $4.6 billion.

Drug stores hold the No. 2 spot among distribution channels in terms of greeting card purchases, just behind card and gift shops. The category has one of the highest profit margins per square foot—about 55 percent.

Many chains sell helium-filled mylar balloons, but Eckerd goes a step further, merchandising them with greeting cards for extra impulse and tie-in appeal.

Discount prices

Retailers are aggressively marketing the cards. Some, like Phar-Mor and Drug Emporium, are offering everyday discount prices on cards. The promotions are made possible by upfront cash discounts offered to high volume retailers by manufacturers such as American Greetings.

Not only are manufacturers offering incentives to retailers to gain a greater market share, but also some, such as Gibson and Ambassador, are tightening up display racks so that they can market more product in smaller spaces.

For retailers with selling space less than 60 feet, Ambassadors's Strike Zone program integrates traditional and alternative cards into one rack. The best-selling cards are merchandised at eye level. The Strike Zone program, which organizes cards into clearly-defined sending occasions and uses ColorCue pop-out signage to indentify the categories, has enabled retailers to drive up their unit and dollar sales volume. In test sites, sales jumped 21 percent when the merchandising strategy was employed.

American Greetings has a similar Supertray program, which merchandises balanced product assortments in best-selling themes. The Supertrays, available in 2-, 3-, and 4-foot assortments, can be placed on feature ends or gondolas, or they can be used in other locations throughout the store.

That's important since, by some accounts, greeting cards are becoming a destination item, while other retailers remain unconvinced and are placing cards in high traffic areas in the hopes of sparking additional impulse buys.

American Greetings introduced a similar concept in gift wrap. The manufacturer's Gift Wrap Express concept integrates all wrap products in boutiques by occasion in a wave concept.

Drug Emporium uses overhead signs and header cards to drive its price message, and organized endcaps to meet many gift-giving needs.

Themed promotions

One of the most exciting trends in the category is a move to create traffic-stopping decor throughout the store using themed promotions.

American Greetings' haunted castle, complete with eerie music and billowing curtains, helped PayLess Drug Stores make a big Halloween splash and establish the chain as a seasonal destination. American Greetings developed floor-to-ceiling Christmas decor, creating the effect of an arched entranceway, for promotional and seasonal aisles at 208 Perry Drug Stores. Both chains are working with the vendor on Easter promotions.

American Greetings has also been successful with its "American Greetings to the World" pen-pal program.

In addition, 1991 was a year of more card choices than ever before for the consumer. Alternative cards are growing at a rate of 10 to 15 percent; the subcategory now represents about 25 percent of business at American Greetings. The humorous off-beat cards are appealing to more men; American Greetings estimates that men now account for 12 percent of purchases. That number is up from 8 percent two years ago.

In addition, manufacturers have introduced other lines directed at specific audiences in the hopes of grabbing an even greater market share.

- American Greetings introduced a line of greeting cards for the visually impaired.
- Hallmark plans to introduce a line of cards for people in recovery from addiction this month and a line of Nurses' Day cards in May. Hallmark expects 500,000 cards to be exchanged on the first annual day of recognition for the dispensers of TLC.
- Friends of the Family, a division of Recycled Paper Products, introduced a Spanish language line—the first Spanish alternative line.

Top greeting card holidays
Cards sold in 1991

Christmas	2.3 billion
Valentine's Day	1.0 billion
Easter	171 million
Mother's Day	150 million
Father's Day	101 million

Source: Greeting Card Association.

Photography lessens sting of recessionary picture

To recession-weary customers, a well-defined photo department conveys good times: from dropping off a roll to the pleasure of viewing prints, it's an invitation to stretch memories on a cut-back budget.

For the drug retailer, a photo department means a potential three-trip traffic builder with the biggest payoff in film processing—and uptrending single-use cameras.

But that customer needs a push. Frugal consumers seem to be taking fewer pictures these days, industry observers agree. Ron Koch, vp of technical services for Eckerd, says "if people are hunkering down and not making that trip, then those picture opportunities disappear."

In all trade classes, the photo category reflected the economy in 1991 and early 1992. "The total market is by and large flat," says Harold Martin, editor of the photo industry's Wolfman Report. Film sales and processing hovered at or below 1990 levels, according to estimates by the Photo Marketing Association, which projects a flat outcome in film sales and processing for 1991, but a rise in exposures of around 1 percent, up from 16.79 billion to 16.96 billion exposures due to a shift toward 35mm film.

Industry observers say this could translate into a 2 percent or greater increase in processing revenue.

Overall, the photo/video category advanced 2.7 percent at drug chains in 1991.

Regionally, photo activity was mixed in 1991, with the southeast and southwest outperforming other regions like the northeast and California.

Fuji Photo Film estimates that drug chains lost around 1 percent of film-sales share in the dominant 35mm format, while mass merchandisers picked up share largely through store expansion, notes senior marketing manager Rod King of Fuji.

Thanks to highly visible, aggressive photoprocessing, drug chains command around 25 percent of film developing in the current bear market.

Revenue

Although processing was up slightly in third quarter 1991, the final quarter dimmed the picture. PMA estimates that for all trade classes photoprocessing was down 0.3 percent in rolls processed compared with 1990, according to PMA director of market research Barry Harrand. Drug chains fought for their piece of the shrinking pie "because they're out at the forefront and definitely let customers know they're in the film and photoprocessing business," says Brad Hunsaker, Kodak's director of strategic planning for traditional photo products.

35mm film rose sharply in 1991 over other formats. PMA's Harrand ventures that marginal users, mainly consumers of cartridge film, have "exited temporarily" due to the economy, while stronger users likely to shoot 35mm are staying in the market. With more average exposures per roll and sharper enlargements, the rise in 35mm points toward higher processing dollars where drug chains still show a hard-won edge.

Single-use

PMA's Harrand notes that with single-use cameras, like Kodak's FunSaver Panoramic and Telephoto or Fuji's QuickSnap line, the consumer is usually in a hurry to see results.

Single-use cameras came on strong in 1991, although drug chains didn't capture the steep gains snared by mass merchandisers. In all trade classes, PMA estimates a 50 percent increase in single-use cameras, up from 9 million in 1990 to around 14 million.

"We don't see that growth slowing down at all in '92 and '93," says Kodak's Hunsaker. Single-use profits don't negate other sales. When outdoor adventure means risk to a customer's primary camera, or if an unusual photo opportunity arises, those single-use exposures wouldn't otherwise be shot, notes Fuji's Rod King.

In an increasing number of drug store chains, the photo/video department is being redesigned to look state-of-the-art. In its prototype stores, Wilsonville, Ore.-based Pay Less pumps up the photo de-

Continued on page 88

PayLess guarantees the quality of its one-hour photofinishing service, which means more to convenience-minded consumers than a discount, and keeps margin in the business.

Focusing on green issues

Photo, video and CD manufacturers are greening up to deal with waste disposal problems. Here's a sampling of programs:

- Eastman Kodak's Fun Saver single-use cameras contain messages encouraging labs to return the camera bodies to Kodak for recycling. Kodak pays labs for each shell returned and reimburses shipping expenses. Unrecyclable components are reground to make new plastic while usable batteries are donated to human service agencies.

"Since the program began 18 months ago, 500,000 pounds of plastic has been kept out of the nation's solid waste stream," said Peter M. Palermo, vp and general manager of the consumer imaging division.

- Fuji now manufactures film boxes from recycled paper and is replacing plastic film containers with moisture-proof canisters. It promotes recycling of its QuickSnap single-use cameras by rewarding photofinishers with five cents (plus shipping cost) per unit returned to a Fuji collection center.
- The Silver Coalition, with members from government, photo imaging trade associations and technical societies, is taking steps toward effective treatment of photographic silver as a regulated waste.
- Polaroid introduced a smaller box without polystyrene inserts for its OneStep Flash instant camera and is testing a program in five states to recycle used film packs.
- The recording industry recently announced that by April 1993 it will phase out its CD longbox in favor of the smaller jewel-box-only format.

1991 photo/video department productivity in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
Film	$ 743,079	2.5%	37.6%
Still color	503,916	2.9	25.5
Instant	231,979	1.8	11.7
Black & white	7,184	0.1	0.4
Processing	753,442	3.2	38.1
Accessories/flash	250,497	1.5	12.7
Blank video cassettes	168,636	2.5	8.5
Cameras	61,127	2.5	3.1
TOTAL	$1,976,782		

Source: 1992 *Drug Store News* industry survey.

1991 photo/video department highlights in chain drug stores

Chain drug photo/video sales	$1,976,782,000
1991 percentage increase	2.7%
Percentage of total chain drug sales	4.1%
Typical gross margins	20%-25%
1991 industry profit yield from photo/video	$395,000,000-$495,000,000
Average annual department turns	8

Source: 1992 *Drug Store News* industry survey.

Photography lessens sting of recession

Large prints, speed and quality make up the photofinishing value message in the latest Perry prototype.

Continued from page 87

partment with prime-space positioning and upbeat graphics to stimulate shoppers. Many buyers say the best strategy in a sour economy is to mount tempting value-added promotions such as double prints, free enlargements or albums, and to promote photo opportunities with contests and sponsored events.

Photo needs a boost to garner even 5 percent-plus industry gains. Eckerd's Koch offers evidence of consumer "downsizing," or maximizing a roll. "After Christmas, I saw rolls with Christmas trees and Easter shots on the same roll—I hadn't seen that for 15 years," says Koch. Although retailers and manufacturers report that multipacks are edging up slightly (an increase of 1 percent in 1991, according to Kodak), consumers may be stockpiling more brgain-priced rolls than they're shooting.

Consumer confidence may be at the lowest point in decades, but Koch says: "My advice is to hold steady. Do promotions and don't give the business away. If the demand is not there, dropping the price is not going to change it."

Kyle Westover of Longs Drug Stores agrees: "I think it will correct itself as the economy turns around, and as the photo industry recognizes that we have to promote picture taking."

Fast work

Following the lead of Eckerd, Canada's London Drugs, Perry, Longs and other retailers, an increasing number of drug chains including Walgreens are testing or adding in-store labs to protect market share against inroads by mass merchandisers and combo outlets. If tight times have slowed lab rollouts in recent months, competition is sure to propel more drug stores into the on-site lab business, many marketers say.

Eckerd is well-positioned with its Express Photo minilabs in 320 stores. Chains with on-site labs report that overnight developing also benefits from the professional photo-center image. Eckerd's Koch largely attributes the chain's 1991 increase in the photo category to its on-site business.

Suppliers of in-store labs are vying to cover every photoprocessing niche from mid-range to high-volume drug retailers. The smaller or micro systems include Print Technology's PhotoGo (installed in 23 of Perry's 228 stores, for example), and Noritsu's QSS-Micro System. In the larger mini-lab category are Noritsu's QSS-1501 and Fuji's SFA 250 and SFA 270. Recently introduced systems designed to bridge the micro/mini gap include Konica's model 808 and Gretag's upgradable Master Lab series.

"Hold steady. Do promotions; don't give the business away. If the demand is not there, dropping the price is not going to change it."

—Ron Koch

If you want to

Chains view blank tapes as stellar sellers

Blank tape and disk formats showed mixed sales in drug stores in 1991 and early 1992: some chains reported blank tape down, while other retailers reported increases in a recent telephone sampling by *Drug Store News*. In a keenly competitive market, many buyers rely on aggressive advertising and multipack promotions to keep the blank tape category humming.

Paul Lofgren, buyer for Seattle-based Bartell Drug, says blank video is "doing just great. We heightened the emphasis a year ago in virtually every ad. It's hard to expand on that—but video is still growing."

In contrast, buyer Byron Henry at the Vancouver, Wash.-based Hi-School Pharmacy chain says, "video is definitely flat. It's still a good basic business but the boom is over." But he adds: "8mm is the bright spot as more people now have that equipment."

In all trade classes, blank tape and disk formats showed a rise in 1991, according to estimates by the Electronic Industries Association (EIA). After a rebound in 1990, blank videotape continued to climb in overall retail in 1991 for an estimated 356-million-unit sell-in, pushed by a 10-percent increase in the number of video cameras purchased. The EIA study shows that around 15 percent of households in the U.S. now own videocameras or camcorders, and notes Tom Hix of Nielsen Media Research: "Every year there are more homes with multiple VCRs."

Although the VHS format still dominates the household market, the Photo Marketing Association's (PMA) latest study of camcorders purchased in 1990 shows that 71.9 percent were VHS, 27.3 percent were 8mm, with a negligible 0.8 percent in Beta. The 8mm camcorders still carry a higher price tag than VHS, but the smaller format is making inroads. Industry reports say that giant electronic stores are beginning to push 8mm camcorders, which will accelerate the shift toward the smaller tape format.

Some retailers are narrowing their VHS selection while increasing 8mm selection to hone an image statement. Bartell only carries name brand blank video, for example. "Four or five years ago we swung both ways, both brand and low-end imports. Since we sold as much of both, we decided just to carry the better stuff," says Lofgren.

Phar-Mor, which leads many markets with 69-cent video rentals, extends its reach into home entertainment with well-stocked, service CD/audio/videotape department.

Sound dollars

In all trade classes, audiotape rose in dollars but not in units, according to EAI. Units dropped around 1 percent from 428 million in 1990 to an estimated 425 million in 1991 while dollars rose around 2 percent to $383 million from $376 million.

"Surprisingly, in dollars we do better with the higher quality," says Lofgren. Bartell promotes blank audiotape aggressively with weekly ads offering high grade one week, and standard grade the next in order to target different markets.

Hi-School Pharmacy posted blank audiotape gains in 1991, an increase Henry says "could be because we're more competitive and running more ads."

On the other hand, the buyer at one large chain notes that blank audiotape is down. "Video is maintaining its own level; it's not down like blank

Continued on page 90

sell more videotape, sell hours.

For home video tapers, extra recording time means extra value. That's why longer-length videotapes are the fastest growing segment in the industry. And that's why BASF is the long-length leader. Only BASF gives consumers the T-130, T-160, *and* T-180, with an additional ½ hour, 2 hours, and 3 hours of recording time, respectively. That's an unbeatable choice of tape lengths for every recording need. With unmatched quality for recording at any speed. So stock up on BASF videotapes today. There's never been a better time to increase your profits.

The longer. The better.

Video rentals are a high-identity traffic draw at Randall's combo in Houston. Virtually every shopper passes by it near the store entrance.

Chains see blank tapes as stellar sellers

Continued from page 89

audio. I think we have reached a saturation point with blank audiotape." He notes, however, that prerecorded audio is moving better than blank. Byron Henry notes that lower price point prerecorded audio is also performing well.

According to the Record Industry Association, for the first half of 1991, compact discs increased 16.49 percent in units over the same period in 1990, while prerecorded audiocassettes dropped 23.33 percent during the same period.

Despite the overall dip, at least some drug chains are profiting from the huge number of consumers who have multiple audiotape players that cover all occasions, from commuting to jogging to boom-box atmosphere on the beach.

Lofgren at Bartell notes that prerecorded audio is still outperforming CDs, but says, "I feel as time goes on CDs will get better."

Another buyer agrees, noting that although CD sales are flat, he is seeing movement in budget classical CDs priced under $10. "We're happy that the CD category is maintaining its own. I think this flat market will change. It's just a matter of the economy."

Despite the quality-sound achievement of CD technology, with the vast installed base of audiotape players in U.S. households, audiotape manufacturers want to capture a piece of the quality sound market.

BASF, for example, is poised to release its new DCC (Digital Compact Cassettes) product as soon as DCC hardware ships in time for the fall season.

VCR consumer facts

- **7.9 percent of VCR homes in the study purchase one or more blank videotapes per month, with an average of 4 tapes per month**
- **VCR homes own an average of 3.9 blank videotapes (i.e., not yet taped)**
- **VCR homes own average of 22.1 recorded videotapes**
- **21.9 percent of VCR homes own a video camera**
- **The average VCR home owns 5.8 videotapes recorded with a video camera.**

Source: Nielsen Media Research 3rd quarter '91 study of 900 homes with a VCR.

THE KONICA FOCUS ON QUALITY

Our commitment to producing quality pictures is one of the many reasons Konica Quality Photo is the second largest photofinisher in the country. Not only do we invest continually in state-of-the-art technology, but Konica employees pay personal attention to the quality of the work they produce. Our business philosophy keeps the focus on quality in every lab and ensures that everyone who works for us, is working for you too. For more information call:

1-800-283-0653 (East)
1-800-473-3686 (West)

For Quality Film Developing....
TAKE A CLOSER LOOK

Konica
KONICA QUALITY PHOTO, INC.
From East to West... We Can Service Your Business

Screens burning UVB & also **blocks** penetrating UVA rays.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Snacks crunch hot numbers and lead growth

Consumers trimmed back on big ticket items in 1991 but continued to treat themselves to plenty of feel-good snacks purchased in drug chains. The 9.8 percent dollar gain in snack and cookie sales means that even in tight times, customers look for consumables between trips to the supermarket. More drug chains are meeting the needs of busy working women who want easy solutions for mealtime replenishment and home entertainment.

Popcorn and savory snacks edged up again last year, boosted by line extensions like Frito-Lay's Harvest Cheddar Sun Chips and an upsurge in ready-to-eat popcorn.

Savory snacks widely outpaced cookies, which grew around 3 percent in the drug trade last year, says an A.C. Nielsen study, while drug chains continue to catch the health-minded wave with low-salt and low-fat snacks.

At Minneapolis-based Snyder Drug Stores, buyer Rick Burns says: "We've SKUed our assortment toward the health conscious."

He is aiming for a "full-fledged" reduced/no-salt selection in the snack assortment. Another buyer notes "the low salt category is growing and lots of things are coming out new in low salt. Pretzels have been low fat for some time and I think that category is increasing as consumers read the bag and notice low-fat content."

Chains have to be sharp on soda prices because the category is promoted so often. Two-liters and six-packs, which boost average tickets, dominate the PayLess assortment.

Savory sales

In the latest consumer study by Leo J. Shapiro & Associates for *Food Merchandising*, a sister publication at Lebhar-Friedman, chips and popcorn were cited as snacks most likely to be purchased at an outlet other than a food store, with 6.4 percent of consumers making snack purchases in drug stores.

The study indicated that 27 percent of consumers bought more crackers than a year ago, while 25 percent purchased more popcorn and 22 percent increased their consumption of both chips and cookies.

Drug chains continue to catch the health-minded wave with low-salt and low-fat snacks.

Burns at Snyder has seen a shift in the popcorn category, spurred by good deals and new flavors like cheddar white. Pre-popped product is on the rise with Vic's coming on strong in the past six months because its line offers "light" varieties with low and no salt. On the other hand, says Burns, microwaveable popcorn seems flat. "It's reached a high level but doesn't seem to be growing like it used to," he notes. "If microwave isn't convenient enough any more, then what's next?"

Gift tins of pre-pop are doing well at the chain, especially holiday and sports-team tins. Tripack tins with carmel, cheese and white are good movers he says, who cites those from Houston Foods and Charlotte Charles and says these good performers are backed by the packagers aggressive marketing.

The buyer for a Southeast chain reports that snacks are up and chips remain strong—with strong performances by Keebler and Eagle products—while "popcorn is still hot."

He's looking forward to a popcorn introduction by Eagle and thinks brand recognition will push the newcomer. "They service our stores very well. We're trying to cut back on inventory like everybody else, and we're trying to get more service from our vendors. It helps our turns."

Walgreens is one of the most aggressive food sellers of all drug chains. Shoppers fill in between supermarket visits, snatching up the broad mix in refrigerated cases, snacks and grocery.

Not all chains think less is more, and some use assortment to broadcast the category. On the Oregon-based PayLess chain's Nut Center, Eagle's president Kevin Bowler remarks: "The nut center conveys to a consumer that they sell a lot, and this store is probably a good

Continued on page 96

1991 consumables department highlights in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
Liquor/wine/beer	$1,018,069	7.3%	51.5%
Soft drinks	295,007	7.0	14.9
Snacks/cookies/chips	180,280	9.8	9.1
Nuts	157,133	5.6	7.9
Canned goods/condiments	84,962	9.6	4.3
Dry packaged groceries	78,811	9.8	4.0
Other foods	132,385	7.7	8.2
TOTAL	$1,946,648		

Source: 1992 *Drug Store News* industry survey.

1991 consumables department productivity in chain drug stores

Chain drug consumables sales	$1,946,648,000
1991 percentage increase	7.4%
Percentage of total chain drug sales	4.0%
Typical gross margins	15%-20%
1991 industry profit yield from photo/video	$291,997,200-$389,329,600
Average annual department turns	5.2%

Source: 1992 *Drug Store News* industry survey.

Snacks pop some hot numbers, lead in growth

Continued from page 95
place to buy nuts."

Party center

A mainstay for in-and-out promotions, salty snacks snare bargain hunters and make a tempting menu in ad circulars when paired with traffic-building beverages. One chain recently reconfigured eight stores with a "party center," where chips, nuts, crackers, popcorn and other food items are cross merchandised with soft drinks, liquor, beer and wine to remind shoppers not to leave the store without munchies. "We've not had that concept before—all departments are enhanced," says the buyer.

An aggressive private label program at Fay's attracts price-conscious consumers. Chips are packaged as cholesterol-free, weighing in health concerns.

Snacks are largely on-deal at most drug chains, but an increasing number of outlets are garnering sales with promotional endcaps to channel traffic into mini-convenience marts. There, shoppers discover a fine-tuned selection of everyday basics like coffee, tuna, cereal, and easy meal-makers like Rice A Roni and canned meats.

In-and-out ad activity

Snyder is gearing up to planogram its snack and grocery set but so far has been running the category with in-and-out ad activity. "When we planogram we'll still do ads, but the customer will be able to come in at any time and find Oreos and Triscuits, when in the past they could only find them on promotion," says Burns.

Targeting repeat business, drug store grocery usually offers better prices than convenience stores plus an alternative to massive supermarket checkout lines at rush hour. Frito-Lay reports that its single-serve snack lines are good performers in drug stores. "Impulse purchasing happens frequently in chain drug stores," says spokesperson Beverly Holmes. One buyer remarked that the "downsizing" attitude of the recession seems to have helped smaller sizes and single-serve packaging.

He notes that compared to a large box of cookies priced at $3.99 in a supermarket, a smaller pack at two-for-a-dollar or 99 cents is "not as hard hitting" at checkout.

Sipping profits

Drug stores are holding steady in soft drink sales, going for traffic but swallowing margin to compete with rock-bottom discounters and a wave of private-label product. Soda leads all beverages, with an estimated 25.9 percent of beverage consumption share in 1991.

In 1991, total beverage sales showed gains of 1.6 percent, according to analyst John C. Maxwell of Richmond, Va.-based Wheat First Securities.

Soda is a must-have consumable in drug chains, though it gets mixed reviews: "Soda does fantastic all year," says one buyer, while another counters that "soft drinks are very flat. In this market, very strong grocery operators are going way below cost and it's hurting the soft drink category."

Single-serve units and juice-based beverages are on the rise, with juice blends showing the highest percentage of growth in all beverage categories in 1991 for estimated 9.7 percent increase over 1990, according to Hellen Berry, vp of marketing for Manhattan-based Beverage Marketing Corp.

On the other hand, beer, wine and liquor posted slight declines in all trade classes for the year. But many drug chains have carved out a niche in beverages, such as New Orleans-based K&B, where the beverage category (both soft drinks and alcoholic beverages) is a successful traffic-builder—a driving force behind circulars—and it represents 18 percent of overall sales.

According to major brewers, drug chains showed stronger gains in 1991 than other trade channels in beer sales. Like other consumables, shoppers are going for health-angled product, including premium low cal, low cal popular and non-alcoholic beer—the three fastest-growing beer segments.

Mini-food marts draw convenience shoppers

Supermarket combo chains are nipping at traditional drug chain HBA and pharmacy business, but drug chains are biting back hard with convenience, tempting consumable deals and everyday, high-demand food assortments.

Eckerd, Walgreens and K&B offer packaged grocery assortments that assure repeat customers of meeting most food category needs on their shopping lists.

Dry grocery, as an extension of a snack and beverage set, is moving toward year-round merchandising in more drug outlets. One major chain planogrammed a grocery set with around 70 items in a 6- to 9-foot line throughout its 1,000-plus stores last year.

Cooler and freezer cases cater to the uptrend in single-serve beverages and microwaveable dinners for workers too rushed to cook from scratch. These three chains are well represented in markets with urban professionals, empty-nesters and elderly, all groups with less need for supermarket carts brimming with family-size provisions.

In most drug chains, a mini-food mart means tight focus and good turn. "We're being more selective than in the past," says one buyer. Frito-Lay's Holmes notes that "in drug stores, variety is the least important of all retail channels." Since drug chain customers shop a mini-food mart for convenience, not breadth, drug stores can narrow SKUs to top-selling brands.

Consumables take on a new twist at Revco yogurt shop opened in Garfield Heights, Ohio. Service counter helps lengthen store visits.

Heavy eaters of snacks by lifestyle segment

	1989-90	1984-85
Traditional families	41.4%	48.7%
Busy families*	16.3	15.2
Grandmas/grandpas	16.1	9.7
Couple/no children	9.9	11.0
Empty nesters	7.7	8.3
Young singles	1.0	0.8
Others	7.7	6.3

*Both parents work or only parent works outside the home.

Source: Snack Food Association Consumer Snacking Behavior Report.

Candy sales a sweet mainstay in sour economy

New product introductions, better packaging and promotional support from manufacturers helped consumers stay sweet on the candy category despite the recession and a slight price hike.

"Candy is adversely affected by a slowdown in traffic patterns," said Ben Cassese, buyer for Chain Drug Marketing Associates. "That wasn't a problem this year since drug stores remained healthy and had steady traffic. The impulse sales were there."

New products give retailers a reason to promote the category and 1991 was a year of many new items from major manufacturers, such as M&M/Mars and Hershey, to specialty vendors, like Stork, U.S.A.

Gravity displays at a K&B counter keep candy stock accessible and looking full. New products drove the category this past year.

The positive result: a 6.9 percent category sales increase to $1.71 billion in chain drug stores.

Manufacturers have been pushing their "25 by 95 strategy," an effort to raise per capita candy consumption. Two years ago, per capita consumption was 22 pounds. Vendors hope that with increased promotion and better packaging, they can push per capita consumption, now at the 22 pound mark, to 25 pounds by 1995.

Seasonal space was expanded at many chains, particularly during Halloween, Valentine's Day and Easter. The trend away from trick or treating hasn't hurt candy sales. Since door-to-door haunting is now being replaced with house parties, the need for candy is still strong.

At Christmas, novelty products, such as gourmet flavored candy canes from Spangler and Bob's Candy Co., were seasonal hits. Gourmet jelly beans continue to gain momentum throughout the year.

To generate more sales during off-season periods, manufacturers have dubbed May "Candy Carnival Month" and are offering promotional prices for the entire department during the slow season in an effort to spark sales.

Retailers have maximized that, and other opportunities, by placing candy in additional locations throughout the store.

"Chain drug stores do an exceptional job promoting the category throughout the store," said Bill Sheehan, manager of communications, National Confectioners Association. "When you consider that 80 percent of candy purchases are impulse driven, putting candy in more than one location makes sense."

Buyers said that even a 5 cent price hike at the beginning of the year did not hurt sales.

"Customers adjusted to the difference," said David Fuchs, buyer at New Orleans-based K&B. "They see very little difference in moving from 40 cents to 45 cents on bar candy."

To offset the price increase, manufacturers cut deals a little deeper allowing chains to still hit lower price points at some times during the year. "We were still able to do three-for-$1 promotions," said Fuchs.

In bagged candy, some vendors introduced lower weight promotional lines with a lower price point. Brach introduced its first two-for-$1 line, a 37-item pegged line that meets the retailers' and consumers' need for variety and value. The line is similar to Sathers' successful line at this price point.

Leaf took a pegged approach for greater visibility with its 26-SKU Famous Favorites line of Milk Duds, Good 'n Plenty and Jolly Rancher candies. That line contains bags with the same weight as lay-down bags and a higher price point (between 99 cents and $1.19).

Boxed candy, which traditionally sells best on a seasonal basis, also had a steady year. In addition to staple offerings such as Whitman's and Russell Stover, high-end candy could be found on chain drug retailer shelves as well. Deep disounters such as Rockbottom and Great American Drug Stores are stocking Perugina chocolates at price points between $7 and $9.

Sales of diabetic candy have also grown. As more manufacturers introduce sugar substitute lines for diabetic and dieting customers, retailers are devoting more space to the subcategory. Some chains are devoting four feet of shelving to the area.

Front- and center-of-store locations maximize the impulse nature of candy, and enable deep discounters to take advantage of their high traffic counts.

1991 candy department highlights in chain drug stores

Chain drug candy sales	$1,711,460,000
1991 percentage increase	6.9%
Percentage of total chain drug sales	3.5%
Typical gross margins	25%-30%
1991 industry profit yield from candy	$427,865,000-$513,438,000
Average annual department turns	8

Source: 1992 *Drug Store News* industry survey.

1991 candy department productivity in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
Bagged	$ 699,749	7.2%	40.9%
Bars	506,056	6.9	29.6
Boxed	326,912	5.8	19.1
Chewing gum	153,283	5.3	9.0
Other	25,461	5.3	1.5
TOTAL	$1,711,460		

Source: 1991 *Drug Store News* industry survey.

Young categories breathe life into GM

For drug chains in 1991, general merchandise brought an unexpected lift, given the renewed emphasis by merchants on health care and the fierce competition in nonfoods sales.

The greatest advances in general merchandise occurred in relatively young businesses at mass: trading cards and reading glasses. Rainwear made an impact with improved merchandising racks.

And batteries, hosiery and books and magazines continued to show their value within drug chain formats.

Overall, general merchandise managed a 4.6 percent gain in a tough 1991.

Batteries

Batteries remain a good performer and profit center for drug stores even though the upward spiral in sales has slowed from previous years' robust increases.

In 1991, drug stores became a more popular place for consumers to buy lithium/photo, watch/hearing aid and heavy duty batteries, reports Towne-Oller. Sales of the lithium/photo type battery increased from 4.4 percent in 1990 to 8 percent in 1991, nearly doubling its share of drug store battery sales. Watch/hearing aid batteries and heavy duty cells increased their share of drug store volume.

Alkaline batteries declined slightly in their share of total battery sales, however. In 1991 the long-life alkaline batteries accounted for 69 percent of drug store volume, compared to 72.8 percent in 1990.

Rechargeables are gaining a greater foothold in the market, as consumers perceive value despite the greater initial outlay. The high-ticket items are marketed by Gates Energy Products under the Millenium name.

Batteries are expected to show continued growth as it confronts trends that are dampening the growth rate of cell sales: longer lasting batteries and a lack of new products that need to be driven by batteries. However, multipacks from Eveready/Energizer, Duracell, Rayovac, Panasonic and Kodak help consumers keep batteries on hand and ready for incremental use.

Multipacks are popular with consumers because they perceive them to give value and convenience. Multipacks of all types of batteries are gaining sales as it proves to be the most popular packaging format.

The battery growth pace has settled since consumer electronics manufacturers haven't introduced any new battery gobbling devices lately.

One of the most successful merchandising approaches with batteries has been the placement of shrink-wrapped multipacks in high traffic areas. Front-end spinners, endcaps or checkout lane placements, in addition to secondary store locations, are all useful techniques to encourage impulse buys. Cross merchandising by placing batteries near the devices they drive has not caught on big with drug chains who may be fearful of theft.

Books and Magazines

Drug chains are hoping to turn the page after a year of flat sales in books and magazines.

It seems that people pinching their wallets in the recession were able to resist high-impulse reading purchases. But people love to read and once pocket money is freer this category will pick up.

Drug chains remain committed to offering a wide selection of magazines and books because the category offers decent returns when sales are on the upswing. Overall sales for the category are expected to improve in 1992 as the country emerges from the recession and consumer spending increases. The challenge for drug chains will be to protect their market shares as mass merchandisers and deep discounters become more aggressive in their commitment to readers.

Deep discounter Phar-Mor, for example, has an extensive reading section with titles in both hard and soft cover. Combo stores that have added full-scale reading centers include Kroger Co. and Randall's Food and Drug. Both stores have reading centers that carry hardcover best-sellers and occasional in-store promotions.

Some drug chains, such as Rite Aid and Bill's Drugs, have countered by eliminating the wholesaler/distributor support network that has traditionally been relied upon. The two chains have their own personnel handle selection, remerchandising and upkeep. Most chains, however, still rely on the expertise and supply capabilities of their distributors.

Hosiery

Convenience is the big draw for drug chains when it comes to hosiery sales.

Typically, a consumer in need of a pair of pantyhose on the way to work or some type of social function is in a hurry. Drug chains have been able to attract those consumers because they allow customers to be on their way quickly. Drug chains who hope to be successful with pantyhose sales in the future are expected to capitalize further on their convenience by stocking new styles in an array of popular colors. Then, shoppers whose initial visit to a store is motivated by convenience may be transformed to regular customers because of the selection of styles.

A challenge for drug chains will be to remain price competitive and maintain product diversity. Space constraints make it impossible for drug chains to carry the inventory available at mass merchandisers or deep discounters. But good inventory control and merchandising a variety of styles at a front-end location can help eliminate snags in hosiery sales.

Generating return visits will also require drug chains to offer reasonable prices. The buying power of mass merchandisers and the deep discounters philosophy of buying when "deals" are available make it difficult to match prices offered by those trade classes. Drug chains can capitalize on their convenience advantage as long as they are careful not to offend consumers with significant price differences. Consumers may be willing to overlook subtle price differences if they are outweighed

Continued on page 103

Phar-Mor uses supermarket-style checkstands as potent purveyors of high-margin GM items priced under $5.

1991 general merchandise highlights in chain drug stores

Chain drug general merchandise sales	$3,115,354,000
1991 percentage increase	4.6%
Percentage of total chain drug sales	6.4%
Typical gross margins	35%-45%
1991 industry profit yield from GM	$1,090,000,000-$1,400,000,000
Annual average department turns	5.3

Source: 1992 *Drug Store News* industry survey.

1991 General merchandise department productivity in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
Toys	$ 876,385	4.0%	28.1%
Pantyhose/soft goods	329,447	6.0	10.6
Sunglasses	287,341	6.0	9.2
Batteries	275,698	4.9	8.8
Pet needs	242,255	7.9	7.8
Hardware	215,719	1.7	6.9
Automotive	206,907	1.9	6.6
Sporting Goods	176,712	4.0	5.7
Watches/bands	151,366	5.6	4.9
Home electronics	142,043	6.0	4.6
All others	211,482	4.3	6.8
Total	$3,115,354		

Source: 1992 *Drug Store News* industry survey.

Drug store share of magazine business

New England	15.2%
East North Central	13.2
Middle Atlantic	12.0
West South Central	12.0
South Atlantic	11.3
West North Central	11.2
East South Central	10.0
Pacific	9.1
Mountain	5.0

Source: Periodicals Institute.

GM gets boost from young businesses

Continued from page 101
by convenience.

The 1992 forecast again calls for clear and sunny skies in the rainwear category as sales of umbrellas and other rain-related merchandise are expected to flourish.

Rainwear no longer seasonal

Most drug chains have realized the wisdom of using rainwear to help their bottom line by carrying the category all year rather than as seasonal merchandise. In the future, new profitability opportunities will present themselves as drug chains will have an increasing variety of styles and colors to choose from as well as the availability of higher end products to capture the gift-giving market.

"Drug stores are our strongest growth area right now of the three distinct trade groups," said Rebecca Lamp, a sales manager with Totes. "The chain drug stores have really recognized the opportunity to use the rainwear category to consistently generate year-round sales for them."

Stocking umbrellas, ponchos and bonnets all year is key to ensuring that the category does well in the store, according to her.

"There are some peaks in the amount of rain that falls in the spring and fall, but an analysis of data shows that rainfall is pretty consistent year-round," she added.

Southern states tend to have the most rain while northern states have more rainy days but less accumulation.

Both scenarios translate into a winning combination for drug chains. Consumers increasingly are looking to drug stores for rainwear purchases because of the convenience factor. Many combo store chains still don't carry it as a year-round category. Virtually all discount stores carry do, but they do not offer consumers the ability to get in and out of the store quickly, an important consideration if it's raining.

Many drug chains have capitalized on the convenience factor by taking advantage of rolling racks that are provided by manufacturers. In rainy weather the racks can be positioned at the front of the store to generate impulse sales.

"If it's raining and you want an umbrella, and one is $6.99 at a discount store and one is $8.99 at a drug store, [the consumer is] going to want to stay dry, [so they] will make the purchase if they're already in the drug store," Lamp said.

Adding further support to the argument for carrying rainwear all year is the fact that many umbrellas are bought as gifts, some are bought to replace broken ones, while others are purchased as replacements for umbrellas left at home.

Reading glasses

Drug chains with vision are eying continued profits with sales of reading glasses. Industry sources look for reading glasses to remain a bright category characterized by product innovation and future growth.

One factor that has helped sales is the introduction of attractive new styles by manufacturers. Reading glasses have shed their stodgy, bookworm image and have also undergone merchandising changes.

Several manufacturers now provide retailers with high quality spinner and carousel displays that feature color graphics, photographs of models in real-life situations and the option to display the glasses on slide hooks or suspenders, which hold multiple SKUs.

Now more than ever, consumers have a wider variety of styles and special features to choose from as competition among manufacturers increases. Among those who have introduced upscale lines for fashion conscious buyers are Pennsylvania Optical, Opti-Ray, Magnivision, Lynn Roberts International and Cable Car Sunglasses.

Drug stores are a popular venue for the purchase of reading glasses, with many consumers making multiple purchases, industry sources report.

"Reading glasses are a good basic category for drug stores," said James Devine, president of the Chain Drug Marketing Association. "The nice thing about reading glasses is that people tend to buy more than one pair at a time."

Typically, drug chains will display reading glasses near the pharmacy, although placement near the books and magazines section merits further review.

Trading cards

Continued expansion of the consumer base for the increasingly diverse trading card category is expected to fuel continued sales growth of the collectibles. Industry sources say aggressive promotions by manufacturers, more sports teams and greater consumer interest should lead to between 10 and 15 percent growth in the category.

"It's a very, very hot category and it continues to grow," said Rob Kovalesky, a vp and partner with the sales and marketing consulting firm of Glendinning Associates. "Convenience stores still represent the majority of the business with about a 25 percent market share, and the mass merchandisers have about 18 percent. Drug stores account for about 15 percent of trading card sales."

Consumer demand for trading cards shows no sign of slowing, but it takes a commitment from the retailer to ensure healthy sales.

"The way the business is growing you really need to be in the business aggressively and not just dabble in it," Kovalesky said.

Many drug stores have recognized the profitability of trading cards and use special displays, endcaps or dedicated shelf space to spark interest.

Continued on page 106

Low-priced toys, more for boys at '92 Toy Fair

NEW YORK — Toy manufacturers were showing more toys priced under $20 and more toys for boys at the annual American International Toy Fair here in February. These trends emerged against the backdrop of a 1.4 percent total industry sales gain to $13.31 billion in 1991.

For example, Hasbro, Inc. will offer more toys for under $20 this year, a move the company says is an industrywide reaction to the economy; about 80 percent of its line will be at these low price points in 1992.

The company has reduced the price of My Little Pony, its 10-year-old line. "Sixty percent of purchases of the pony toys are impulse buys," said a Hasbro spokesperson. "The toys are now priced between $3 to $7, which should increase impulse purchases."

New lines introduced

Hasbro is also introducing several collectible series this year, all priced under $10. One intro is Secret Beauties, collectible dolls that spray cologne when squeezed.

Another introduction is a license of the popular cartoon character James Bond Jr. These action figures will sell for $5 to $6, with accessories at approximately $10.

Eco Warriors

Collections of World Wrestling, GI Joe and Dinosaurs are also expected to have strong sales at Hasbro. The company has introduced two socially conscious lines: Eco Warriors, which carry an environmental message, and Drug Elimination Force, which has an anti-drug-use message. Both lines retail under $10.

Turtles, et. al.

Although demand for Teenage Mutant Ninja Turtle-licensed items has declined, several manufacturers remain optimistic about their popularity.

Playmates Toys launched Mutations, action figures that evolve from cute pet turtles into turtles of the Teenage Mutant variety. Suggested retail for the action figures is $6.99.

The video market

Interest in the video business has waned, according to Harry Pearcem, chairman of Toy Manufacturers of America, Inc. While sales in the video segment were down 12.1 percent in 1991, he said that video "continues to generate new products with broad consumer appeal."

One video manufacturer, Konami, Inc., has lowered the prices on its handheld game line in the hopes of broadening its market and increasing impulse sales. Konami's license line-up for 1992 includes Teenage Mutant Ninja Turtles, Star Trek, Garfield, major league baseball and football among others.

The old standbys

Traditional toys are also back on the block. The original 12-inch GI Joe is reentering the market this year.

Model kits have captured renewed interest. Tim Cawley, ceo of Revell-Monogram, a manufacturer of model kits, said kits with neon colors and metallic trims have had high-volume sales at drug stores. Rite Aid, Eckerd and Longs are now carrying the kits. "We have better volume in Longs than in any store except Toys R Us," said Cawley.

Whoever feels drug stores are dull didn't ask this boy. He'll have more $20-and-under toys to choose from in '92, due to the recession.

GM gets fresh sales from young categories

Continued from page 103

"With trading cards, you really need to have them displayed at the front end of the store, and with the drug store chains today you have about one third that use front-end placement," Kovalesky said. "Where the business has been heading is for retailers to develop permanent trading card sections, and today more than half of the drug chains have dedicated sections.

"We're also seeing trading cards go from more of a seasonal business to a bonafide year-round category," he added.

A host of factors contribute to trading card's rosy future.

• The national sports leagues continue to add new teams, and team relocations give manufacturers opportunities to release new series of cards. Cards featuring current television shows, hit movies, cartoon characters and other themes are available and continue to attract buyers.

• The consumer base is changing and growing. Boys 10 to 14 years of age still account for a large majority of sales and will continue to grow, but retailers must now also cater to increasing numbers of young girls and women who have been attracted to the category by the introduction of non-sports trading cards.

• The manufacturers' marketing approach has changed. Market leaders Topps/Bowman and Fleer, along with Upper Deck, Impel, ProSet, Donruss/Leaf, Pacific, Score and Kayo all produce a high quality premium card. Competition among manufacturers is intense, with many spending heavily on advertising and promotions and supporting their products with in-store marketing materials.

With so many manufacturers producing a vast array of cards, one of the biggest challenges facing drug chains will be to weed out and carry those cards that are most sought after by consumers.

Light bulbs

Although mass merchandisers have somewhat eroded drug stores' market share of light bulbs and lighting supplies, the category remains a good profit center for chains that effectively promote sales.

High visibility merchandising to gain impulse buys and cross merchandising—such as night lights by infant formulas and three-way bulbs by reading glasses—have proven to be an effective formula for some retailers. Others have chosen to trigger high-margin sales with less price-sensitive specialty bulb types or to sell products consumers will pay the most for per store visit.

Many retailers are getting help from manufacturers who have hopped on the bandwagon of environmental preservation. GTE-Sylvania, Philips and General Electric have all introduced lines of energy-efficient bulbs intended to appeal to conservation-minded consumers.

Manufacturer studies have shown that a large percentage of shoppers are interested in buying—and may be somewhat willing to pay more for—products that positively impact the environment. The higher priced, environmentally sensitive lighting products offer greater profit margins for drug chains, but the still low level of consumer awareness about how lower wattage or more energy-efficient bulbs help the environment is hampering sales.

Consumers need to be educated that the new bulb lines help reduce energy consumption and thereby help reduce dangerous chemical byproducts that may be generated by power plants.

Carex® HEALTH CARE PRODUCTS

• SUPERIOR SERVICE
• UNSURPASSED QUALITY
• PACKAGED FOR PROFIT

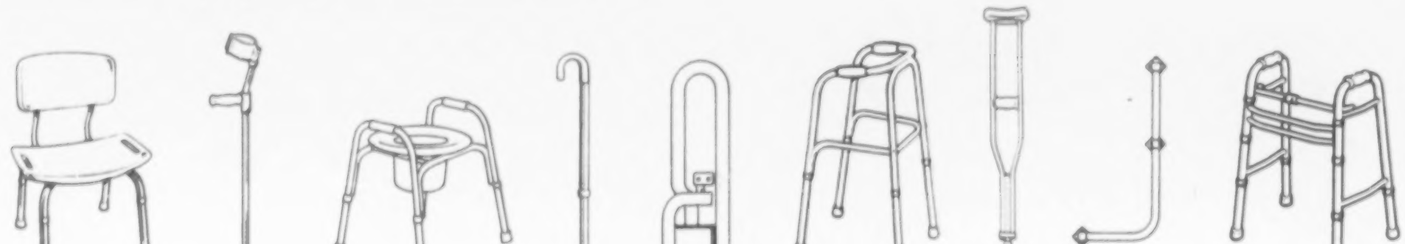
Nobody gives you a package like Carex.

Carex . . . one of the most comprehensive lines of top quality ambulatory aids and bathroom safety products, with a packaging program second to none. Graphics and colors that are instantly recognizable. And eye catching package designs and POP displays designed to pop out of your shelf and stimulate sales.

But that's only part of the complete package you get from Carex. You get products specially designed to be convenient to use and easier to handle. Carefully crafted for safety, quality and durability for your customer . . . and better credibility for you. All backed by a quality guarantee that could only come from three generations of experience.

For nearly forty years, Carex has kept your profits—and your cash flow—moving by leading the way in research and development. By setting service trends and in giving you the best value for your dollar.

Call us today, to see why nobody can put together a package for you like Carex.



Nothing Moves Like Carex.

Carex®
HEALTH CARE PRODUCTS
A Division of Acorn Development Companies Inc.
39 Tompkins Point Road, Newark NJ 07114 • P.O. Box 20260A, Newark NJ 07101
Nationwide: (800) 526-8051 • In New Jersey: (201) 824-7637 • Telex: 294746 CAREX • FAX: (201) 824-9734

Treats, protects & helps prevent cold sores, sun & fever blisters.
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

For extra profits, display & recommend with suncare products.
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Chains loathe to leave tobacco behind despite health concerns

For a chain drug store merchandise category in steady decline and under constant assault, tobacco retains enormous clout. Many drug merchants are loathe to promote a product linked to a slew of health concerns and social constraints, but most of them are just as loathe to show tobacco the door.

It isn't hard to fathom why. Even with annual unit sales declines of more than 2 percent a year, cigarettes still generate rivers of cash flow and steady, predictable profits. Equally important, staying in the tobacco business also helps drug chains keep smokers as customers.

Indeed, tobacco sales advanced 4.9 percent to $2.77 billion at drug chains in 1991.

Giving ground

Even so, drug chains have given up ground steadily to other trade classes in tobacco sales over the past decade. The chief culprit is convenience stores, whose market share in cigarettes climbed from 18 percent to 22 percent between 1985 and 1990, according to Brown & Williamson Tobacco Co. research. In the same period, drug stores saw market share drop to 7 percent from 9 percent, and supermarkets also lost ground, dropping 2 percentage points, to 28 percent.

"The big problem with our class of trade is the convenience stores," said Rick Keltsch, merchandise manager for Ft. Wayne, Ind.-based Keltsch Bros., a 20-unit drug chain. "They've taken a lot of the one-pack business away."

"It's the convenience aspect," agreed Robbie Ashe, a spokesperson for Brown & Williamson. "People with no time like being able to run in and run out quickly."

Drug chains still reap huge revenues from cigarettes. Indeed, while unit sales are dropping more than 2 percent a year, price increases, tax hikes and other factors continue to push cigarette revenues steadily higher in the United States. Americans spent $43.8 billion for tobacco products in 1990—the last year for which figures are available—compared with $40.9 billion in 1989, according to the Tobacco Institute. Of that total, cigarettes accounted for $41.6 billion in 1990 vs. $38.8 billion the previous year, or 95 percent of the total.

Like other retailers, drug chains are hard-pressed to walk away from that kind of revenue stream—despite their reservations about what tobacco products may do to their health care image.

"It's kind of like walking a tightrope now," said Mark Tow, merchandise manager for Hook Drugs. "(Tobacco) is really something we try to keep a low profile on . . . but we do want to keep the customers who come in looking for it."

Merchandise manager Rick Keltsch of Keltsch Bros., a 20-store chain in Ft. Wayne, Ind., said, "We've actually had serious discussions about getting out of the category altogether."

"We're in the health care business," Keltsch added. Even Keltsch Bros., however, isn't ready to walk away from a potent customer draw that yields rapid turns and predictable—if small—gross margins. "Cigarettes aren't very profitable on a percentage basis, but the dollar sales are still huge," Keltsch said.

Smokers are buying more single packs since they have less pocket money, a trend that is lifting overall category margins.

Added Peter Clarke, tobacco buyer for K&B in New Orleans, "The category is still profitable for us, and turns are very good," despite the fact that cigarette sales in K&B stores are "trending downward close to the industry average of about 2.4 percent."

Clarke estimated the category generates everyday margins of 10 to 15 percent, and said cigarettes "are definitely worth the space we give them."

Like many drug chains, however, K&B has swung away from self-service. "We tried that about two years ago, but there was some pilferage," he said. "When cartons carry such a high dollar amount, you can't afford to lose even one to pilferage."

Hook remains self-service, for the most part, but keeps tobacco products up high, out of the reach of children.

One emerging trend, according to Keltsch: smokers are buying fewer cartons as a sour economy takes a bite out of wallets.

1991 tobacco department productivity in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
Cigarettes	$1,904,282	5.3%	68.8%
Cigars	389,505	2.8	14.1
Lighters/smoking accessories	259,153	5.2	9.4
Tobacco/tobacco products	184,874	3.8	6.7
Pipes	28,067	1.5	1.0
Total	$2,765,881		

Source: 1992 *Drug Store News* industry survey.

1991 tobacco department highlights in chain drug stores

Chain drug tobacco sales	$2,765,881,000
1991 percentage increase	4.9%
Percentage of total chain drug sales	5.7%
Typical gross margins	10%-20%
1991 industry profit yield from tobacco	$275,000,000-$550,000,000
Average annual department turns	15

Source: 1992 *Drug Store News* industry survey.

Tobacco company sales and market share
(Full-year comparisons)

Company	Units* 1990	Units* 1991	Market share 1990	Market share 1991
Philip Morris	220	221	42.3%	43.4%
R.J. Reynolds	154	142	29.6	27.8
Brown & Williamson	54	57	10.3	11.1
Lorillard	40	37	7.6	7.3
American Tobacco	35	36	6.8	7.0
Liggett	18	17	3.4	3.4
Totals	521	509	100.0%	100.0%

*Units in billions of cigarettes, rounded
Source: John C. Maxwell Jr., Wheat First Securities.

Buyers stick to basics in housewares as caution keeps inventories lean

If there's one all-embracing theme chain drug retailers are hewing to in the wide-ranging, $85 billion housewares category, it's "basic is better." By this time, most drug chains have abandoned any ideas they may once have had about selling upscale, high-ticket kitchen or personal care appliances, and are staying with the tried-and-true.

"In housewares, I think the buyers this year will be very conservative," noted Don Vanacek of Chain Drug Marketing Associates, the 75-member buying organization. "In most cases, the chains are sticking to the basics, and some chains are even cutting back a bit.

"It's basically because of the economy," Vanacek added. "When things get tight, chains cut back to basics in this category, like personal care items."

Housewares Show

That's particularly true in today's mean-spirited, halting economic recovery, which has yet to convince a lot of consumers that it's for real.

More than most categories, housewares sales are linked inextricably with economic conditions and consumer sentiment. That's why the thousands of buyers and vendors who attend the International Housewares Exposition in Chicago every January spend as much time reading and discussing economic tea leaves as they do talking about products and promotional calendars.

The economic downturn certainly played a role in the relative dearth of new, breakthrough products at the Housewares Show this year, agreed Debbie Teschke, a spokesperson for the National Housewares Manufacturers Association. She acknowledged "there weren't a lot of new products" at the show, but added that manufacturers have responded well to the downscaled, more cautious economic climate with the line extensions, improvements and fashion colors that retailers and consumers are looking for. What's more, she said, show attendance held up well, with roughly 11,000 U.S. buyers and a record 3,200 international buyers in town for the event.

Six gondola runs of housewares reflect the category's importance as a basic appeal to family shoppers at Phar-Mor. Cautious buying by most drug chains limited exposure to any slowdown in the turn rate of high-ticket housewares.

Cautious Buying

For drug chains, the recession wasn't nearly as tough on the housewares department as it could have been. The reason: most chains seem to have learned some tough lessons about cautious buying in the face of an uncertain economy, and most have already lessened their exposure to front-end competition in recent years with their refocus on pharmacy and HBA.

"Most retailers were prepared for the worst," said Gerald Simpson, vp-merchandising, buying and advertising for 12-store Drug-Sav Co. in Tyler, Texas.

"Overall housewares sales last year probably ended about flat, or were even up a couple of points," said Vanacek. "Most of our members got through the year in very good shape, with low inventories and a very conservative approach. When they got to the last quarter, they did better than expected, and sold through some items."

Bright Spots

What's more, the back-to-basics approach chains have adopted doesn't mean they've abandoned many of the key general merchandise categories that qualify as housewares.

Indeed, there have been several bright spots for the chain drug industry over the past several years, and last year was no exception.

Drug chains continue to do well with decorative home storage containers, kitchen storage/microwave items, low- and medium-priced hair dryers and curlers, lunch boxes, picture frames, paper products, humidifiers and dental cleaning systems. These products are custom-made for the drug store image, as are other items lumped into the housewares category like home blood pressure monitors and air filtration systems.

Home storage items have been particularly successful for PayLess, reported vp-merchandise Andy Striefel, while at Big V Pharmacies of Ontario, water filters have been hot the past year. Drug-Sav, meanwhile, has found a winner in the picture frame category in recent months.

"We turned the category over to Intercraft in three of our stores last year and put in complete sections and added three more stores this year. It has been very good for us," said Simpson. "In the original test store, we have also gone from 8 feet to a 12-foot section by adding 4 feet of Intercraft's premium-priced line."

In one housewares segment, environmental products like can-crushers and recycling bins, the jury is still out, some chains report. Standard Drug, for instance, has had only so-so results so far for recycling bins and newspaper bundlers.

1991 housewares department highlights in chain drug stores

Chain drug housewares sales	$2,550,794,000
1991 percentage increase	0.9%
Percentage of total chain drug sales	5.3%
Typical gross margins	35%-40%
1991 industry profit yield from housewares	$890,000,000-$1,020,000,000
Average annual department turns	2.7

Source: 1992 *Drug Store News* industry survey.

1991 housewares department productivity in chain drug stores

Category	1991 total sales (add 000)	1991 % increase	% of category sales
Plastic/rubber housewares	$ 562,269	1.8%	22.0%
Household supplies	302,776	0.8	11.9
Personal care	288,481	0.9	11.3
Small electrics	227,396	−0.5	8.9
Glass/dishware/cookware	202,454	−0.6	7.9
Paper products	206,456	1.8	8.1
House & kitchen gadgets	142,951	1.0	5.6
Lighting products	138,056	5.5	5.4
Picture frames/mirrors	90,735	2.5	3.6
Insecticides	69,467	−2.2	2.7
Plants/plant care	59,286	1.0	2.3
Furniture/outdoor furniture	56,446	−3.6	2.2
Bath/closet	49,504	7.6	1.9
Giftware	30,117	0.9	1.2
Vaporizers/humidifiers	29,010	4.4	1.1
Miscellaneous	95,388	−2.4	3.7
Total	2,550,794		100

Source: 1992 *Drug Store News* industry survey.

NIELSEN HIGHLIGHTS

Bath additives—liquid

Marketing highlights

This is the first in a series of monthly columns produced by Nielsen Marketing Research and focusing on retail and consumer product category trends.

This category generated all-outlet sales of $72.5 million during the 52 weeks ending March 16, 1991 (up 75 against 1990). Unit sales of 39.6 million were down 6 percent from last year. The average price reported by consumers was $1.83 per unit, an increase of 14 percent from 1990.

Household penetration declined by 0.7 point to 15.6 percent of the 94.7 million U.S. households. Each of the 14.8 million households purchasing the category during the year spent an average of $4.91. They purchased the category at a rate of 2.1 times, buying an average 1.3 units on each occasion.

Consumers reported using coupons with 8 percent of their purchases (unchanged from last year), while 20 percent of the units were bought on some type of retailer promotion (up 1 point).

Channel development

Supermarkets led channel performance with 42 percent of annual unit sales. Almost 7 percent of U.S. households (45 percent of category buyers) purchased an average of 2.5 units each through this channel last year. Other food stores showed the greatest increase in purchase rate, growing to 2.4 units per buying household. This channel accounts for 4 percent of total unit sales.

Non-food outlets account for 54 percent of the category's purchased unit volume. Net household penetration is 105 for non-food channels, or about 65 percent of category buyers used the outlet for at least one purchase.

Trade channels — share of all outlet unit sales

Supermarkets 42% (unit/buyer = 2.5, penetration = 7% of hhlds)

Mass merchandiser 33% (unit/buyer = 2.1, penetration = 7% of hhlds)

Drug stores 18% (unit/buyer = 1.9, penetration = 4% of hhlds)

Convenience stores <1% (unit/buyer = 1.1, penetration = <1% of hhlds)

Warehouse club <1% (unit/buyer = 1.1, penetration = <1% of hhlds)

Other food 4% (unit/buyer = 2.4, penetration = 1% of hhlds)

Other non-food 3% (unit/buyer = 2.1, penetration = 1% of hhlds)

(channel development based on 4,588 actual 1991 purchase transactions)

Consumer characteristics

The lifestage group with the highest purchase index is "new families." They represent 8 percent of total U.S. households and account for 16 percent of unit sales (index = 199). Household penetration for this group is 33 percent, average price paid is $1.78 per unit. The "west central" geographic area (16 percent of total U.S. households) has the highest purchase index with 20 percent of unit volume (index. = 122).

Purchase dynamics	1990	1991	Change
Household penetration	16.3%	15.6%	−0.7 pts
Purchase occasions (annual)	2.1%	2.1%	1.2%
Units per purchase	1.3%	1.3%	−3.8%
Dollars per purchase	$2.13	$2.33	9.4%
One-time buyers	49%	49%	0 pts
Male primary purchase	15%	17%	2 pts

1991 buyer characteristics	% hhlds	Penetration	% buyers	% volume
Households with no children	65%	8%	54%	58%
Households with children <13	28	14	39	34
Households with any teenagers	14	11	16	16
White households	86	10	83	81
Black households	11	13	15	16
Hispanic households	6	9	6	5
Metro (A and B counties)	72	10	75	78
Households with cable	59	11	62	62

Lifestage groups — share of all outlet unit sales

Young singles 2% (index = 36, price $1.81, penetration = 11%)

Young cpls—no chld 3% (index- = 51, price = $2.15, penetration = 15%)

New families 16% (index = 199, price = 41.78, penetration = 33%)

Maturing families 34% (index = 160, price = $1.72, penetration = 25%)

Established families 5% (index = 69, price = %1.72, penetration = 14%)

MidAge singles 4% (index = 53, price = $1.75, penetration = 9%)

MidAge cpls—No Chld 10% (index = 100, price $1.99, penetration = 13%)

Empty nester 21% (index = 90, price $1.80, penetration = 11%)

Older singles 6% (index = 48, price = $2.33, penetration = 8%)

Geographic region — share of all outlet unit sales

Northeast 20% (index = 88, price = $2.02, penetration = 14%)

East central 16% (index = 117, price = $1.58, penetration = 16%)

West central 20% (index = 122, price = $1.75, penetration = 18%)

South 27% (index = 88, price = $1.76, penetration = 16%)

Pacific 18% (index = 101, price = $2.00, penetration = 16%)

(consumer characteristics based on 9,098 actual purchase transactions)

Source: Nielsen Marketing Research, NPD/Nielsen Inc. - Copyright 1992 A.C. Nielsen Company

NIELSEN HIGHLIGHTS

Bath oil-liquids

Marketing highlights

This category had all outlet sales of $11.0 million during the 52 weeks ending March 16, 1991 (down 32 percent against 1990.) Unit sales of 2.59 million were down 27 percent from last year. The average price reported by consumers was $4.23 per unit, a decrease of 6 percent from 1990.

Household penetration declined by 0.3 points to 1.5 percent of the 94.7 million U.S. households. Each of the 1.4 million households purchasing the category this year spent an average of $7.59. They purchased the category at a rate of 1.4 times during the year, buying on average, 1.3 units on each occasion.

Consumers reported using coupons with 9 percent of their purchases (up 1 point from last year) and that 16 percent of their units were bought on some type of retailer promotion (up 1 point).

Channel development

Drug Stores led channel performance with 34 percent of annual unit sales. Less than 1 percent of U.S. households (32 percent of category buyers) purchase an average of 2.0 units each through this channel last year. Other non-food stores showed the greatest increase in purchase rate, growing to 2.7 units per buying household. This channel accounts for 1 percent of total unit sales.

Non-food outlets account for 64 percent of the category's purchase unit volume. Net household penetration is 1 percent for non-food channels, or about 68 percent of category buyers used the outlet for at least one purchase.

Trade channels — share of all outlet unit sales

Drug store 34% (unit/buyer = 2.0, penetration = <1% of hhlds)

Mass merchandiser 29% (unit/buyer = 1.4, penetration = 1% of hhlds)

Supermarkets 28% (unit/buyer = 1.7, penetration = <1% of hhlds)

Other food 8% (unit/buyer = 2.9, penetration = <1% of hhlds)

Convenience stores 0% (unit/buyer = 0.0, penetration = 0% of hhlds)

Warehouse club 0% (unit/buyer = 0.0, penetration = 0% of hhlds)

Other non-food 1% (unit/buyer = 2.7, penetration = <1% of hhlds)

(consumer characteristics based on 658 actual purchase transactions)

Consumer characteristics

The lifestage group with the highest purchase index is "empty nester." They represent 22 percent of total U.S. households and account for 34 percent of unit sales (index = 148). Household penetration for this group is 2 percent, and average price paid is $3.69 per unit. The South (30 percent of total U.S. households) has the highest purchase index and accounts for 39 percent of unit volume (index = 128).

Purchase dynamics	1990	1991	Change
Household penetration	1.8%	1.5%	−0.3 pts
Purchase occasions (annual)	1.6	1.4	−13.7%
Units per purchase	1.4	1.3	−2.8%
Dollars per purchase	$6.15	$5.61	−8.8%
One-time buyers	60%	69%	9 pts
Male primary purchase	22%	22%	0 pts

1991 Buyer characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	1%	60%	65%
Households with children <13	28	2	32	27
Households with any teenagers	14	2	16	16
White households	86	1	84	86
Black households	11	2	15	14
Hispanic households	6	0	15	1
Metro (A and B counties)	72	1	67	72
Households with cable	59	2	61	67

Lifestage groups — share of all outlet unit sales

Young singles 1% (index = 19, price = $5.56, penetration = <1%)

Young cpls.—No Chld 5% (index = 102, price = $4.02, penetration = 3%)

New families 8% (index = 93, price = $4.13, penetration = 1%)

Maturing families 20% (index = 94, price = $4.21, penetration = 2%)

Established families 8% (index = 104, price = $4.83, penetration = 2%)

MidAge singles 6% (index = 78, price = $4.68, penetration = 1%)

MidAge cpls.—No Chld 14% (index = 141, price = $5.10, penetration = 3%)

Empty nesters 34% (index = 148, price = $3.69, penetration = 2%)

Older singles 5% (index = 40, price = $4.23, penetration = 1%)

Geographic region — share of all outlet unit sales

Northeast 18% (index = 82, price = $3.96, penetration = 1%)

East central 9% (index = 62, price = $4.57, penetration = 1%)

West central 15% (index = 91, price = $4.58, penetration = 2%)

South 39% (index = 128, price = $4.09, penetration = 2%)

Pacific 20% (index = 113, price = $4.36, penetration = 2%)

(warning: channel development on only 288 purchase transactions in 1991)

Source: Nielsen Marketing Research, NPD/Nielsen Inc. - Copyright 1992 A.C. Nielsen Company

Smith's puts heat on California market

SALT LAKE CITY — Smith's Food and Drug will keep the heat on in its bid to quickly build market share in California.

"The primary focus in 1992 will be on adding new stores in the California market," noted the company in its recently released annual report. "In 1992, we plan to open 14 to 16 new stores. Of those new stores, eight to 10 will be in Southern California."

Added chairman and ceo Jeffrey Smith and president and chief operating officer Richard Smith in a statement, "We carefully planned this entry after evaluating potential markets adjacent to our operating area. We believe our combination food and drug center format will be a success in this new market.

"Since more people live in Southern California than all of our other operating markets combined, it will be the major focus of our expansion plans for the next several years," they said.

The rest of Smith's growth this year will come in existing markets in Utah, Arizona and other western states, the report noted. Those stores will average 77,000 square feet and feature complete drug and food departments; many will also offer well-stocked video rental centers and photo centers.

Smith's pushed west to Southern California last year, opening nine of its 17 new combo stores for the year in markets between Los Angeles and San Diego. Arizona also got six new units.

The chain has become a regional power in food and drug retailing, with one of the industry's most respected and appealing combo formats. Smith's 109 stores are concentrated in Utah, but in recent years the chain has pushed increasingly into the surrounding states of Arizona, New Mexico, Nevada, Idaho, Wyoming and recently the Golden State. Last year, Smith's also opened its third distribution center near Phoenix to support its growing reach. That center supports all stores in the Southwest region and in California, the company stated.

Genovese has record quarter, fiscal year sales

MELVILLE, N.Y. — Genovese Drug Stores, Inc. announced sales and net income for its fourth quarter and fiscal year ended Jan. 31, 1992.

Sales for the fourth quarter increased by 2.7 percent to $116 million compared to $113 million a year ago. For the fiscal year, sales of $447 million were 3.5 percent over the $432 million of a year ago. The sales results for both the fourth quarter and fiscal year set company records.

Net income for the fourth quarter was $2.7 million, or $.36 per share, matching the quarterly earnings of a year ago. Net income for the year increased 20.8 percent to a record $6.7 million compared to $5.5 million a year ago. Net income per share was $.90 vs $.75 last year. Net income for the current year and fourth quarter included a charge of $615,000 or $.08 per common share, from the settlement of litigation with the State of New York.

Genovese is a chain of 97 drug stores with location in New York, New Jersey and Connecticut.

Vons to offer debentures

Arcadia, Calif. — The Vons Companies, Inc. will offer $100 million of senior subordinated debentures due 2002. Donaldson, Lufkin & Jenrette Securities Corp. and Merrill Lynch & Co. will underwrite the proposed offering.

Vons is the largest supermarket operator in Southern California, currently operating 338 stores under the names Vons, Vons Food & Drug, Pavilions, Tiangus and Williams Bros., and the Jerseymaid dairy and ice cream plant.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 8 Apr. 20, 1992

MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$ 4.88	Advances	19
Largest Dollar Loser	Medicine Shoppe	$ – 4.50	Declines	40
Largest Percentage Gainer	Accuhealth Inc.	16.67%	Unchanged	3
Largest Percentage Loser	Taro-Vit Industries	– 26.00%	New highs	3
			New lows	1

	Close 3/24/92	Close 4/6/92	Net Change	Percent Change
Drug Store News Index	5011.63	4854.65	– 156.99	– 3.13
Dow Jones Industrial Average	3260.96	3275.49	14.53	0.45
Standard & Poor's 500-Stock Index	408.88	405.59	– 3.29	– 0.80
N.Y.S.E. Composite	225.89	223.79	– 2.10	– 0.93
Value Line Index	260.93	254.54	– 6.39	– 2.45

Source: Nordby International Inc., Boulder, Colo.

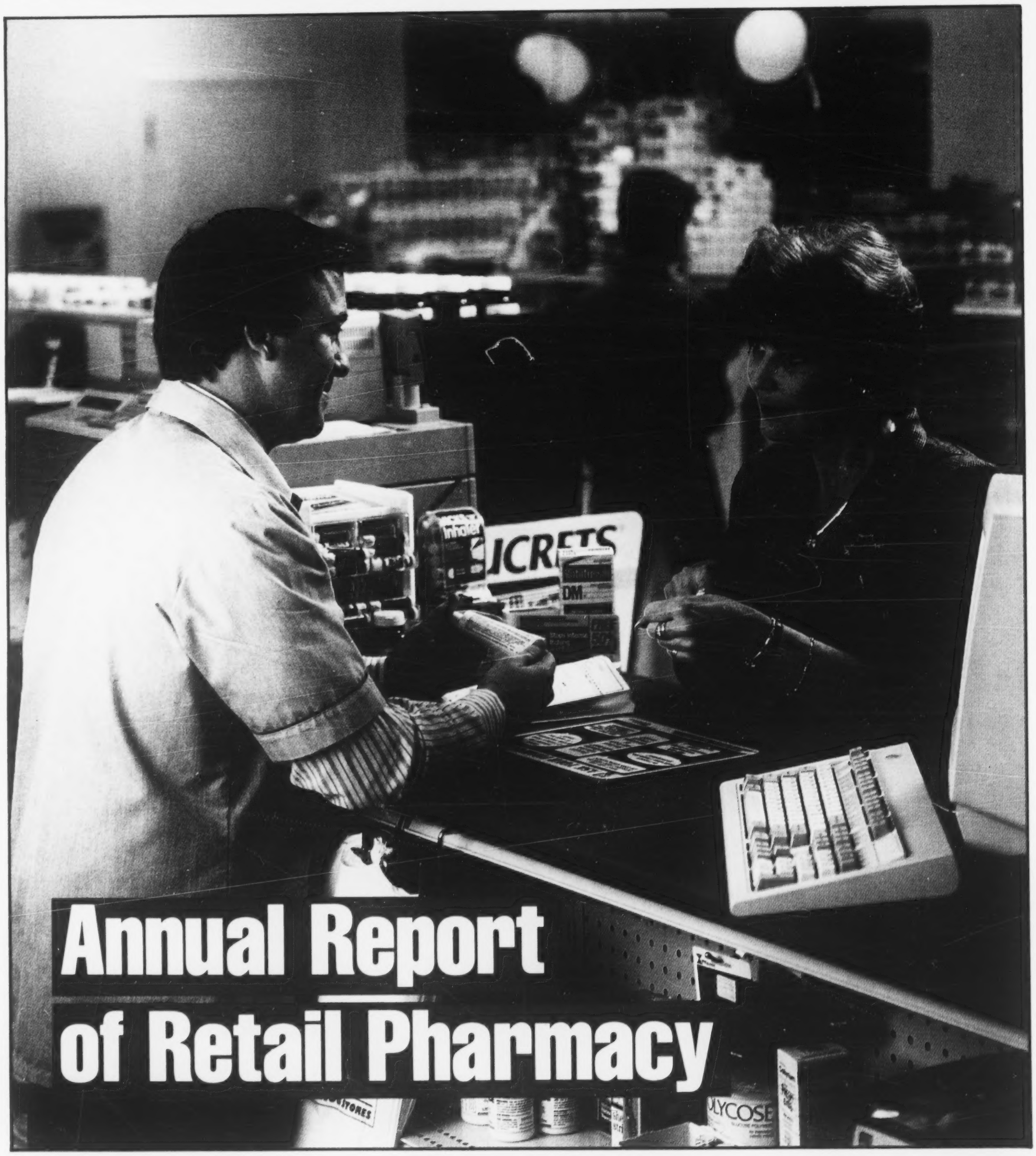
DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 3/24/92	Closing Price 4/6/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.50	5.25	0.75	16.67	28	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	21.00	21.75	0.75	3.57	23	0.12	0.55	25.25	15.50
OTC	Big B (H)	BIGB	16.13	15.00	– 1.13	– 6.98	17	0.20	1.33	16.25	10.63
OTC	Drug Emporium	DEMP	8.38	8.13	– 0.25	– 2.99	—	0.12	1.48	9.38	5.50
NYS	Fay's Inc.	FAY	10.75	9.63	– 1.13	– 10.47	17	0.20	2.08	15.75	8.25
ASE	Genovese Drug	GDX.A	12.25	10.38	– 1.88	– 15.31	11	0.24	2.31	14.75	9.13
NYS	Longs Drug Stores	LDG	35.63	34.00	– 1.63	– 4.56	13	1.08	3.18	44.38	33.38
OTC	Medicine Shoppe	MSII	29.25	24.75	– 4.50	– 15.38	18	0.36	1.45	30.75	19.00
NYS	Perry Drug	PDS	11.13	9.50	– 1.63	– 14.61	14	0.00	0.00	11.63	5.88
NYS	Rite Aid Corp.	RAD	21.00	21.50	0.50	2.38	15	0.52	2.42	23.75	17.25
NYS	Walgreen Co.	WAG	35.63	35.88	0.25	0.70	21	0.52	1.45	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	19.13	20.63	1.50	7.84	15	0.40	1.94	26.19	16.00
OTC	Bindley Western Ind.	BIND	16.25	16.13	– 0.13	– 0.77	10	0.04	0.25	20.75	13.50
OTC	Cardinal Distribution	CDIC	30.75	28.50	– 2.25	– 7.32	23	0.08	0.28	38.75	22.50
OTC	Durr-Fillauer	DUFM	24.00	22.50	– 1.50	– 6.25	16	0.28	1.24	34.75	17.50
NYS	FoxMeyer Corp.	FOX	14.50	14.00	– 0.50	– 3.45	16	0.28	2.00	16.63	10.75
NYS	McKesson Corp.	MCK	33.75	32.75	– 1.00	– 2.96	15	1.60	4.89	40.13	32.00
ASE	Moore Medical	MMD	5.88	6.38	0.50	8.51	34	0.00	0.00	9.25	3.00
NYS	Owens & Minor	OMI	17.88	18.50	0.63	3.50	20	0.20	1.08	24.25	12.16
Manufacturer's transactions											
NYS	Abbott Labs	ABT	62.00	60.50	– 1.50	– 2.42	24	1.20	1.98	69.75	48.38
NYS	American Home Products	AHP	77.25	76.63	– 0.63	– 0.81	18	2.60	3.39	86.25	57.00
ASE	Barr Laboratories	BRL	21.75	19.00	– 2.75	– 12.64	40	0.00	0.00	37.50	12.88
NYS	Baxter International	BAX	37.13	37.38	0.25	0.67	18	0.84	2.25	40.88	31.50
OTC	Block Drugs Co.	BLOCA	57.00	57.00	0.00	0.00	19	0.88	1.54	61.00	50.50
ASE	Bolar Pharmaceutical	BLR	11.75	10.25	– 1.50	– 12.77	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb	BMY	80.50	76.50	– 4.00	– 4.97	19	2.76	3.61	90.13	73.50
NYS	Carter-Wallace	CAR	93.38	98.25	4.88	5.22	33	1.00	1.02	137.50	60.13
ASE	Columbia Labs	COB	7.00	7.38	0.38	5.36	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	21.25	22.13	0.88	4.12	17	0.28	1.27	24.38	15.38
ASE	Forest Labs	FRX	34.75	33.25	– 1.50	– 4.32	31	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	8.38	6.38	– 2.00	– 23.88	25	0.00	0.00	9.75	3.38
NYS	ICN Pharmaceutical	ICN	15.00	14.25	– 0.75	– 5.00	—	0.00	0.00	25.38	4.50
ASE	Lee Pharmaceutical	LPH	1.38	1.25	– 0.13	– 9.09	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.63	14.63	0.00	0.00	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co.	LLY	71.50	72.13	0.63	0.87	16	2.20	3.05	87.75	69.50
NYS	Marion Merrell Dow	MKC	34.88	33.13	– 1.75	– 5.02	16	0.92	2.78	39.00	27.25
NYS	Merck Co.	MRK	150.00	149.38	– 0.63	– 0.42	27	2.76	1.85	169.75	106.00
NYS	Mylan Labs	MYL	37.38	37.38	0.00	0.00	37	0.20	0.54	43.25	22.00
NYS	Novo-Nordisk	NVO	81.63	83.00	1.38	1.68	18	0.60	0.72	96.00	61.00
OTC	Nutramax Products	NMPC	11.88	11.25	– 0.63	– 5.26	31	0.00	0.00	12.50	4.75
NYS	Pfizer Inc.	PFE	70.50	71.38	0.88	1.24	34	1.48	2.07	87.00	54.00
NYS	Pharmaceutical Resources	PRX	6.25	5.38	– 0.88	– 14.00	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	56.75	57.25	0.50	0.88	24	0.56	0.98	69.38	39.00
NYS	Schering Plough	SGP	57.50	56.38	– 1.13	– 1.96	19	1.32	2.34	68.00	47.25
NYS	Syntex Corp.	SYN	46.50	46.25	– 0.25	– 0.54	23	0.92	1.99	56.00	36.75
OTC	Taro-Vit Industries	TAROF	12.50	9.25	– 3.25	– 26.00	77	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	23.63	25.38	1.75	7.41	26	0.20	0.79	28.38	11.75
NYS	Upjohn Co. (L)	UPJ	39.00	37.00	– 2.00	– 5.13	13	1.36	3.68	49.25	36.50
NYS	Warner-Lambert	WLA	65.00	62.75	– 2.25	– 3.46	60	2.04	3.25	80.38	62.13
OTC	Zenith Labs	ZENL	19.50	18.50	– 1.00	– 5.13	50	0.00	0.00	24.25	7.00
Other retailer transactions											
NYS	Albertson's	ABS	43.50	43.88	0.38	0.86	23	0.64	1.46	51.38	32.75
NYS	American Stores	ASC	32.88	33.38	0.50	1.52	10	0.68	2.04	46.13	26.00
NYS	Giant Food	GFS.A	23.13	21.88	– 1.25	– 5.41	15	0.64	2.93	31.00	20.63
NYS	Great Atlantic&Pacific Tea	GAP	32.13	33.25	1.13	3.50	18	0.80	2.41	55.75	25.00
NYS	Kmart (H)	KM	53.88	52.00	– 1.88	– 3.48	13	1.84	3.54	55.00	38.13
NYS	Kroger	KR	18.00	16.88	– 1.13	– 6.25	15	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	49.38	47.88	– 1.50	– 3.04	15	1.48	3.09	55.25	38.25
OTC	Fred Meyer (H)	MEYR	27.25	23.75	– 3.50	– 12.84	13	0.00	0.00	29.25	16.00
NYS	Penney, JC	JCP	65.13	64.75	– 0.38	– 0.58	16	2.64	4.08	67.75	47.13
NYS	Safeway	SWY	16.25	15.63	– 0.63	– 3.85	24	0.00	0.00	21.63	15.00
NYS	Smith's Food & Drug	SFD	38.38	38.00	– 0.38	– 0.98	23	0.44	1.16	43.25	30.25
NYS	Wal-Mart	WMT	53.13	52.88	– 0.25	– 0.47	38	0.20	0.38	59.88	39.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

DRUG STORE NEWS®

VOL. 2/NO. 4 | The Journal of Retail Pharmacy | APRIL 20, 1992



Annual Report of Retail Pharmacy

Changing contraceptive market 50

ShopKo bites into pharmacy 63

for the PHARMACIST

DRUG STORE NEWS
PHARMACIST

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

Publisher **JILL MANEE**
Editor **BRUCE BUCKLEY**
Pharmacy Editor **DIANNE THARP, R.Ph.**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Assistant **Carine Dabady**

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

REGIONAL SALES OFFICES

New York (212) 756-5220
Nat'l Accounts Manager: **Larry Krongold**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Area Manager: **Amanda Cimon**

Art Director **Bob Brokman**
Graphic Artist **Cate Johnson**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION AND CE
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director **Matthew J. Clancy, Sr.**
Nat'l Director of Field Marketing & Circulation Services **Jim Dickson**
Circulation List Manager **Torry Burdick**
CE Administrator **Latara Clements**

Board of Pharmacy Advisers
Clarence Archer Wal-Mart
Marty Belitz Shoppers Drug Mart
Len DeMino NACDS
Phillip R. Engle Bergen Brunswig Corp.
Robert King FoxMeyer Corp.
Howard Kramer Kmart Corp.
Tom Simone McKesson Corp.
Saul Schneider K&B Inc.
Al Sebok Revco D.S. Inc.
Bob Shapiro Perry Drug Stores Inc.

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Publisher of Accounting Today, Drug Store News, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

editor's note

Driving our future: an exciting trip ahead for pharmacy

Our Annual Report issue is always a good time to reflect on significant pharmacy happenings over the past year. Judging by those events reported in our cover story, we have long passed the crossroads and are careening headlong into the future. Although our final destination will be determined by what turns we take, the trip itself makes for an exciting ride.

This last year has put the spotlight on pharmacy, with the feds attempting to regulate pharmacy practice (HCFA's pending counseling and DUR regulations for OBRA '90, and the latest compounding restrictions); an election-year national health insurance initiative which cannot neglect pharmaceuticals; and third-party price constraints no one can live with.

Several issues threaten to cause the profession to veer off course—like the entry-level pharmacy degree debate, and disagreement over how to best counsel our patients.

While these have spawned new alliances between previously divergent groups, at the same time they have widened the chasm between others.

What is significant in pharmacy's drive to the future is that no one can afford to be "just along for the ride." As FDA Commissioner Kessler stated at the recent APhA annual conference, "Conditions are right for this profession to continue to take the lead." Collectively, we must take the driver's seat to ensure that we all arrive at the place where pharmacy wants to be. ■

Dianne M Tharp

table of contents

Annual report of retail pharmacy
Highlights of the past year, including legislation, economic pressures, new products, professional concerns and regulatory incursions. Page 19.

Leading pharmacy formats. Page 34.

OTC drug highlights. Page 43.

OTC merchandise categories

Lens care. Page 49

Family planning. Page 50

DEPARTMENTS

News & trends 3
Opinion 4
Regional recap 8
Third party news 10
Drug watch 12
New products 16
Association news 54
Entrepreneurial pharmacist 60
Technology corner 62
Physician's perspective 64
Continuing education 69

1991: Retail pharmacy in mid-life crisis

The realities of the 1990s hit home for community pharmacy last year as economic pressures, professional concerns and regulatory incursions combined to force many pharmacy practitioners to chart new directions.

It was a year in which independent pharmacists experienced rising concern over mail order dispensaries; a period when professional leaders grappled with the future of pharmacy education; and a time when chain pharmacy moved to distance itself from other segments on such critical issues as patient consultation requirements and the Pharm.D.

Continued on page 22

Mandated or not, pharmacy practice is changing from product dispensing to the provision of cognitive services. Pharmacies that do not provide the counseling and other value-added services our nation is coming to expect will go the way of the pill tile. Our annual report focuses on how rapidly pharmacy practice has changed in this last year alone, and the roller coaster ride ahead.

Drug Store News For The Pharmacist **expresses thanks to Great American, Hicksville, N.Y., where this cover picture was taken.**
Photographer: Stan Fellerman
Pharmacist: John Fitzgerald
Model: Sue Porter Henderson

Execs view most significant Rx issues of '91

What do you think was the most significant event or issue facing pharmacy in 1991?

Ken Levy
Medi-Span

OBRA '90 is the most significant issue facing pharmacy in 1991, perhaps it is the most significant issue facing retail pharmacy in the decade. The impact is broad ranging, and will have an increased effect on pharmacy as the population continues to age and the number of Medicaid recipients continues to grow.

The impact may be most significant for independent pharmacists. In order to meet the requirements many may be forced to upgrade their hardware and software to enable them to meet the prospective drug utilization review requirements. At the regulation's onset there appears that there will be no compensation allotted to offset that cost.

Chains are better positioned to address this due to greater capital assets. Many work off mainframe or mini-computers and have capabilities to program and satisfy these requirements.

Retail pharmacy remains a focal point for both improving the quality of health care as well as providing effective cost containments, but the question is how pharmacy can manage to do it all. Problems come up in a strategy of trying to improve health care and reduce costs while keeping a viable bottom line.

Jack Robbins
Schering

I'd say it was a study funded by the PMA Foundation and conducted by Gallup, which was designed to see how consumers and health experts (medical school faculty members, physicians, financial analysts and section heads from NIH institutes) perceived the pharmaceutical industry.

The study found that 70 percent of consumers did not know that the industry supports R&D. Among industry experts, 72 percent believe and are aware that the industry is the source of research.

It also showed that consumers estimate that about 36 percent of all drug discoveries come from the industry; industry experts estimate that 52 percent of discoveries develop here. The reality is that 92 percent of all new chemical entities are filed within our industry.

The study also found that consumers believe 37 percent of the health care dollar is spent on pharmaceutical products; experts placed the estimate at 25 percent of the health care dollar. The reality is that only 6 percent is spent on medicine. The study really showed how little both consumers and experts know about our industry.

Saul Schneider
K&B

The greatest impact on pharmacy is the change of the role of the pharmacist brought about by OBRA regulations. It is now mandated as of January 1 that the pharmacist must consult Medicare patients. If pharmacists are going to consult with some patients, they will begin consulting with all of their customers.

At K&B, we are making a great effort to reach out to patients. Our pharmacists went through Searle's two-day Phocust program on how to counsel patients and what the proper language is for reaching them.

Like other chains, we are trying to make sure that the customer perceives that the pharmacist is available. We did a survey some time ago that showed people thought the pharmacist was too busy to answer questions, and we want to fight that perception. At K&B, we've added signs in the store that tell people our pharmacists are available to discuss their medications or over-the-counter medications.

The drawback to increased consulting is that we'll not be able to offer the kind of service that we have been in terms of having the prescription filled in a few minutes. Pharmacists will have to deal with new issues in terms of managing their time.

Alex Schamroth
Rite Aid

The OBRA regulations was the most pressing issue facing pharmacy in 1991 and has continuing impact in 1992. The spirit of the regulations is good. My concern is the potential for misinterpretation that may creep into this type of regulation.

The other area of concern is that the OBRA regulations leave the states wide open to determine on their own what those regulations mean and that could cause confusion and become difficult to manage.

On the other hand, the regulations present pharmacy with a tremendous opportunity. Once the value of pharmacy is enhanced and the potential of consultation is fully realized, it could mean a great deal to our profession. The question is: who is going to pay for the increased time? ■

Retail pharmacy is in mid-life crisis

Continued from page 19

Significantly, however, the past year could also be characterized as a period when the federal government stepped up to the pharmacy counter with a prescription for direct regulation of pharmacy practice by Washington.

- HCFA began hammering out controversial Medicaid prescription Drug Utilization Review (DUR) rules to implement Congress' OBRA '90 mandate;
- FDA officials resurrected the concept of pharmacist-distributed patient package inserts;
- Federally-mandated patient counseling by pharmacists moved a step closer to reality; and
- Government regulators moved to set new restrictions on pharmacist drug compounding activities.

Third-party: carrot and stick

Although pharmacy reimbursement under the Medicaid drug program remained at inadequate levels in most states last year, thanks to Congress, the situation didn't get any worse in 1991.

The reason: provisions in the Omnibus Budget Reconciliation Act (OBRA '90) which slapped an ironclad moratorium on pharmacy reimbursement cutbacks by state Medicaid programs until 1994. Those provisions proved invaluable for many pharmacists last year as federal officials turned back efforts to slash drug reimbursement by financially-squeezed Medicaid administrators in Iowa, Tennessee and other states.

For other pharmacists, however, 1991 will be remembered as a year during which the mail order threat hit home as a parade of private third-party programs moved to reduce prescription benefit costs by entering into arrangements with mail drug dispensaries.

The past year also witnessed a renewed interest in National Health Insurance legislation and other proposals to reform the country's increasingly troubled health care system. The key issue for pharmacy: the form and substance of prescription drug coverage under these various proposals.

Continued on page 24

Provisions in OBRA '90. . .proved invaluable for many Rx'ers last year.

Average weekly retail[1] prescription sales

Class of trade	1991 weekly (add 000)	1991 share	1990 weekly (add 000)	1990 share	% sales growth
Chain pharmacies[2]	$327,367	40.9%	$285,150	41.0%	14.8%
Independents	313,363	39.1	280,230	40.3	11.8
Food stores w/RX	81,123	10.1	67,157	9.7	20.8
Mass merchants w/RX	79,308	9.9	63,218	9.0	25.5

[1] Does not include mail order.
[2] Chains = 4 or more stores including deep discount drug store chains.
Source: IMS/DDD.

Chain pharmacy's top 1991 prescription products

Highest dollar volume			Fastest growing		
Drug	Mfgr.	Percentage change	Drug	Mfgr.	Percentage change
1. Zantac	Glaxo, Roche	21.0	1. Floxin	Ortho	999.9
2. Mevacor	MSD	42.5	2. Lodine	Wyeth Ayerst	999.9
3. Ceclor	Lilly	29.7	3. Prilosec	MSD	919.0
4. Prozac	Dista	11.5	4. Diflucan	Roerig	125.5
5. Procardia XL	Pfizer	98.1	5. Procardia XL	Pfizer	98.1
6. Vasotec	MSD	17.0	6. Duricef	Pfizer	81.3
7. Tagamet	SmithKline Beecham	11.7	7. Hismanal	Janssen	76.4
8. Xanax	Upjohn	22.4	8. Suprax	Lederle	71.1
9. Premarin	Wyeth Ayerst	23.9	9. Cardizem SR	Marion Merrell Dow	58.7
10. Naprosyn	Syntex	14.2	10. Beconase AQ	Allen & Hanburys	56.7
11. Tenormin	ICI	10.7	11. Nizoral	Janssen	53.5
12. Calan SR	Searle	21.5	12. Klonopin	Roche	50.9
13. Capoten	Bristol-Myers Squibb	6.3	13. Hytrin	Abbott/BW	49.5
14. Seldane	Marion Merrell Dow	32.8	14. Ceftin	Allen & Hanburys	49.4
15. Augmentin	SmithKline Beecham	31.5	15. Zestril	Stuart	47.5

Top 15 products accounted for 25.8 percent of total sales.
Top 50 products accounted for 37.8 percent of total sales.
Top 100 products accounted for 59.9 percent of total sales.
Source: IMS/DDD.

Retail pharmacy is in mid-life crisis

Continued from page 22

With health care reform emerging as a major issue in this year's upcoming presidential elections, NARD has scheduled a series of regional meetings across the country to develop a consensus among pharmacists on the profession's involvement in the third-party programs being designed for the 21st century.

Education: cauldron bubbles

The debate over educational standards for pharmacists reached the boiling point during 1991 as groups representing various pharmacy segments squared off for a series of skirmishes over the Pharm.D. issue.

At the heart of the dispute: the American Council on Pharmaceutical Education's ongoing review of the profession's educational standards—a process that could force the nation's pharmacy schools to abandon existing five-year degree programs and establish a six-year Pharm.D. as the basic entry-level curriculum for all future pharmacists.

The drive for a universal Pharm.D. gained momentum over the past year as three major pharmacy groups—the American Pharmaceutical Association, the National Association of Retail Druggists and the American Society of Hospital Pharmacists—joined together to endorse the establishment of a new Doctor of Pharmacy degree as the profession's sole entry-level degree.

Under the APhA-NARD-ASHP proposal the nation's pharmacy schools would be encouraged to set up degree transfer and equivalence procedures so that pharmacy practitioners with B.S. degrees could receive Pharm.D. certification.

Significantly, however, the three national pharmacy groups neatly sidestepped one of the stickiest issues in the debate by declining to specify the length of the proposed new entry-level curriculum. According to APhA officials, it will be up to ACPE to determine whether the new entry-level degree will require more than the current five years of study.

The National Association of Chain Drug Stores, a group which has consistently opposed longer educational requirements for pharmacists, quickly attacked the all-Pharm.D. scheme as not "in the best interests of cost-effective and quality health care."

An NACDS-sponsored study released last year by research-

Continued on page 29

The national pharmacy groups neatly sidestepped one of the stickiest issues in the debate by declining to specify the length of the proposed entry-level curriculum.

What good is a return goods policy if it's not good all the time?

Ours is, no questions asked.

You see, at Marion Merrell Dow, we are confident in our prescription products. We are confident that sales will move our products off your shelves. We want you to have confidence that our return goods policy is the best in the business.

Our policy includes expired, open and partially used bottles. All you have to do is contact your Regional Customer Service Representative. We'll take over from there.

To our way of thinking, that's the only way a return goods policy should be: simple, hassle-free, and guaranteed.

What good is it, otherwise?

MARION MERRELL DOW INC.
PRESCRIPTION PRODUCTS DIVISION
KANSAS CITY, MO 64114

Your prescription for better business.

PTRAE314 6157C1

Circle **#013** on Reader Service Card

Pharmacy faces challenge of OBRA

Continued from page 24

ers at SRI International concluded that the most important future role for pharmacists will be as patient drug counselors—skills that pharmacy practitioners are most likely to sharpen on-the-job, not in the classroom studying for a doctoral degree.

When Pharm.D. advocates sought to dismiss the chain drug industry's objections to revised educational standards, NACDS responded by challenging both ACPE and representatives of the nation's pharmacy schools.

Instead of encouraging open "discussion of societal and professional needs" served by pharmacy degree programs, the current process in place to evaluate the Pharm.D. issue is "specifically designed to result in a predetermined outcome," NACDS charged.

Although over half of all pharmacy school graduates today enter practice in chain drug stores, the views of "chain pharmacy have been fundamentally dismissed as not being relevant to professional pharmacy practice and concerned only with economic interests," NACDS President Ron Ziegler maintained.

The past year was also a period during which pharmacy leaders maneuvered to prepare the profession for sweeping new Medicaid DUR requirements.

DUR: the future is now

Those rules—mandated by OBRA '90 to take effect nationwide next January 1—require state Medicaid programs to implement both prospective and retrospective drug use review systems. These dual DUR mechanisms must be engineered to ensure that drugs dispensed under the program are "appropriate," "medically necessary" and "not likely to result in adverse medical results."

For their part, pharmacists will be expected to check each Medicaid prescription for drug-to-drug interactions, therapeutic duplication, adverse effects and both over- and underutilization.

A key element of those new DUR requirements calls on pharmacists to offer to counsel all Medicaid patients concerning their medication. Although OBRA '90 requires that the actual counseling be done personally by the pharmacist, it's less clear how the offer to counsel must be made.

The rules made by OBRA '90 take effect next Jan. 1.

A task force organized by the National Association of Boards of Pharmacy and representing a number of major pharmacy organizations has recommended that the offer to counsel be made personally to the patient by the pharmacist. NACDS,

Continued on page 30

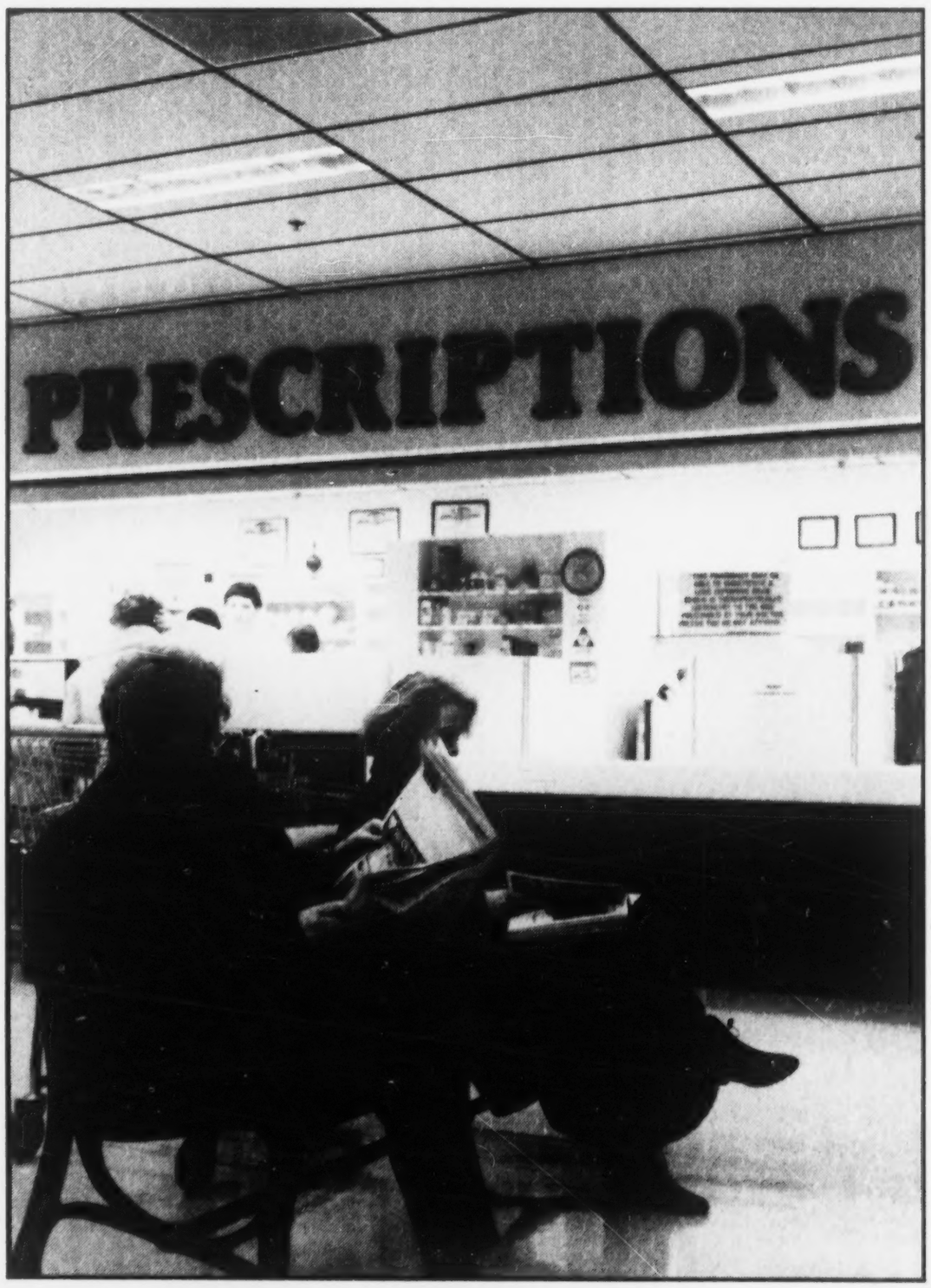
1992 retail pharmacy performance

(Sales in millions)

Retail class	No. hq.	No. Rx outlets	ACV $ vol.	Rx $ vol.	Rx % of ACV
Drug chains[1]	465	17,571	$ 48.4	$16.5	34.0%
2 & 3 store chains & HVIs[2]	—	5,631	9.1	5.3	58.2
Community pharmacies[3]	—	25,044	17.4	11.4	65.6
Total drug	465	48,246	$79.9	$33.2	41.5%
Food w/Rx	131	5,261	$100.5[4]	$4.4	4.4%
Mass w/Rx	8	3,808	54.6[5]	4.2	7.7

[1] 4 or more stores.
[2] High-volume independents with $1 or more average sales.
[3] Independents averaging less than $1 million.
[4] All commodity volume for food stores with pharmacies only.
[5] All commodity volume for mass merchandisers with pharmacies only.

Sources: Commerce Dept., IMS/DDD, Chain Store Guides.



Customers are given a pleasant and comfortable waiting area at Fred Meyer in Oregon.

U.S. Pharmaceutical Market 1991
National Prescription Audit

New prescriptions in millions

Year	Number of prescriptions substituted	Number written generically	Generic total	% of generics to all Rx
1986	75.3	106.0	181.3	23%
1986	93.1	110.9	204.0	25
1988	123.1	114.3	237.4	27
1989	147.8	118.5	266.3	30
1990	161.6	121.0	282.6	32
1991	183.4	127.8	311.2	33.7

Source: IMS America Ltd.

Pressure to counsel intensifies

Continued from page 29

one of the members of that task force, refused to endorse those recommendations and is pushing a more flexible approach.

Under the chain drug industry plan, pharmacists would be allowed to use a variety of techniques to make the offer to counsel, including printed literature, pharmacy department signs or stickers on prescription vials.

HCFA has developed regulations addressing the patient counseling question and other DUR issues, but at press-time, those rules were being delayed by the Bush Administration's moratorium on new regulatory initiatives.

Meanwhile, decisions on Medicaid patient counseling requirements are being hammered out on a state-by-state basis as legislatures rush to enact enabling procedures in time for the Jan. 1, 1993 federal DUR deadline.

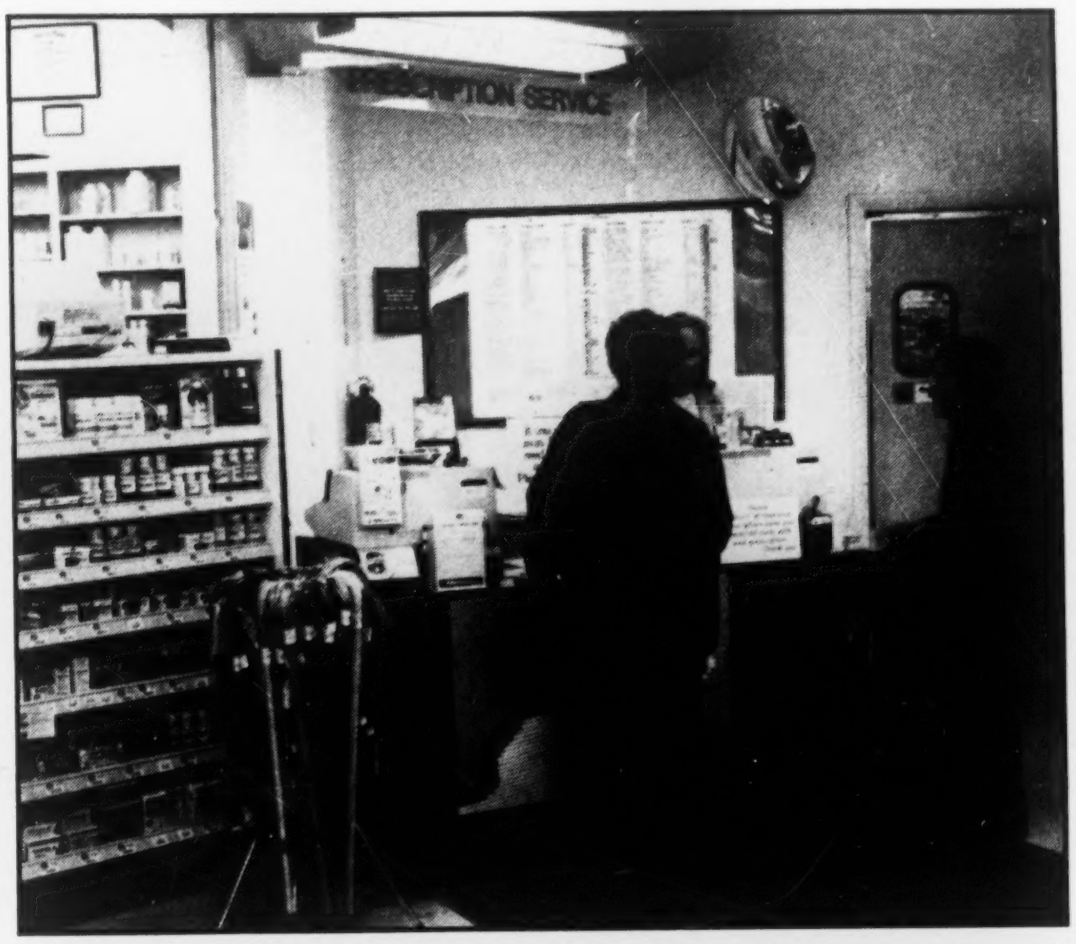
Pharmacy practice

OBRA '90's new DUR and patient counseling requirements were just the opening shot in a broader incursion last year by federal officials into the pharmacy practice arena.

Much of that activity is centered at the FDA where Food and Drug Commissioner David Kessler has emerged as an outspoken advocate of new practice standards and responsibilities for pharmacists.

One constant theme from Kessler is the need for pharmacists to assume greater responsibility for improving medication compliance by closing "the communications gap that has long existed between the health care provider and the patient."

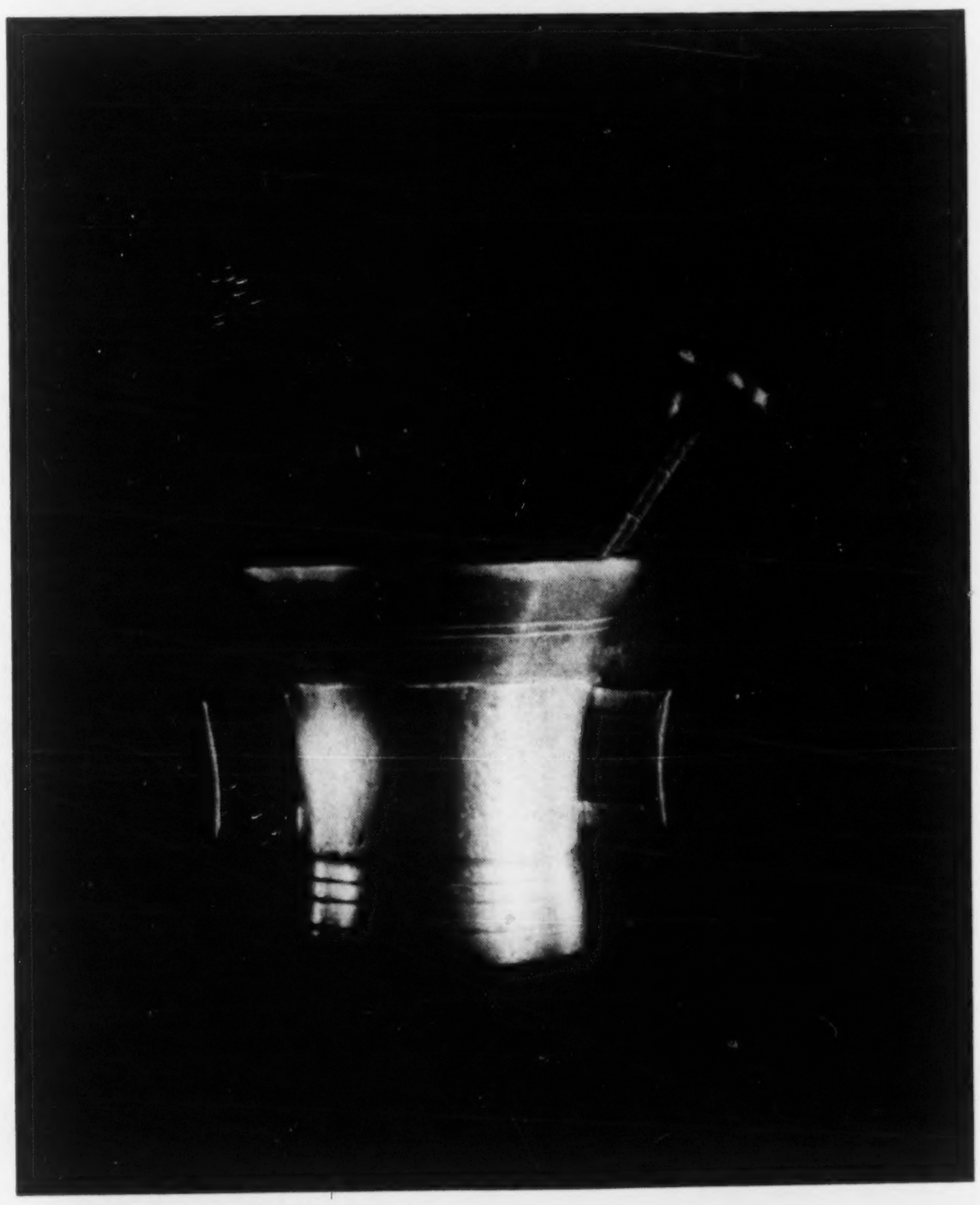
Continued on page 32



Products that depend on pharmacist recommendations, such as vitamins, are often merchandised near the pharmacy department.

PRIDE

We share your pride in your Pharmacy with our pride in producing fine pharmaceuticals, biologicals, and infant nutritionals



WYETH-AYERST LABORATORIES Philadelphia, PA 19101

Circle #018 on Reader Service Card

High-traffic pharmacy areas are an ideal place to merchandise impulse items.

New drugs 1991: Some good news and bad news

Continued from page 30

The new Medicaid patient consultation mandate is a step in that direction, but according to Kessler, pharmacists must do more than merely engage in verbal counseling. In addition, he says, pharmacists should generate PPIs on their pharmacy counter computers for distribution to patients.

Although the FDA has not yet revived controversial plans from the 1970s to mandate pharmacy distribution of PPIs, Kessler confirmed that federal regulators are "requesting" pharmaceutical manufacturers "to develop patient leaflets for drugs whose side effects are potentially so severe that the agency cannot allow them on the market without an approved information sheet."

FDA is also moving in on pharmacist compounding activities—an area in which federal regulators have long taken a hands-off policy.

A new compliance guide issued by the agency earlier this year seeks to crack down on what Kessler has described as the growing number of pharmacists who "are misusing their retail pharmacy license to manufacturer, distribute and promote unapproved new drugs" under the guise of compounding.

Under the new guides, compounding quantities of drugs far in excess of valid prescriptions and other activities suggesting a large-scale manufacturing arrangement will leave pharmacies open to FDA enforcement action.

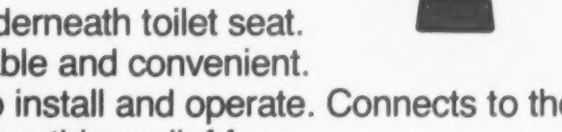
Rx drugs: the good and bad

The good news is that FDA cleared 30 totally new drugs last year—seven more than in 1990 and the highest number of new

Continued on page 34

NEW PORTABLE SPRITZ BATH

Offers Healing Comfort and Cleansing Effects of a Bidet in the Home Bathroom.



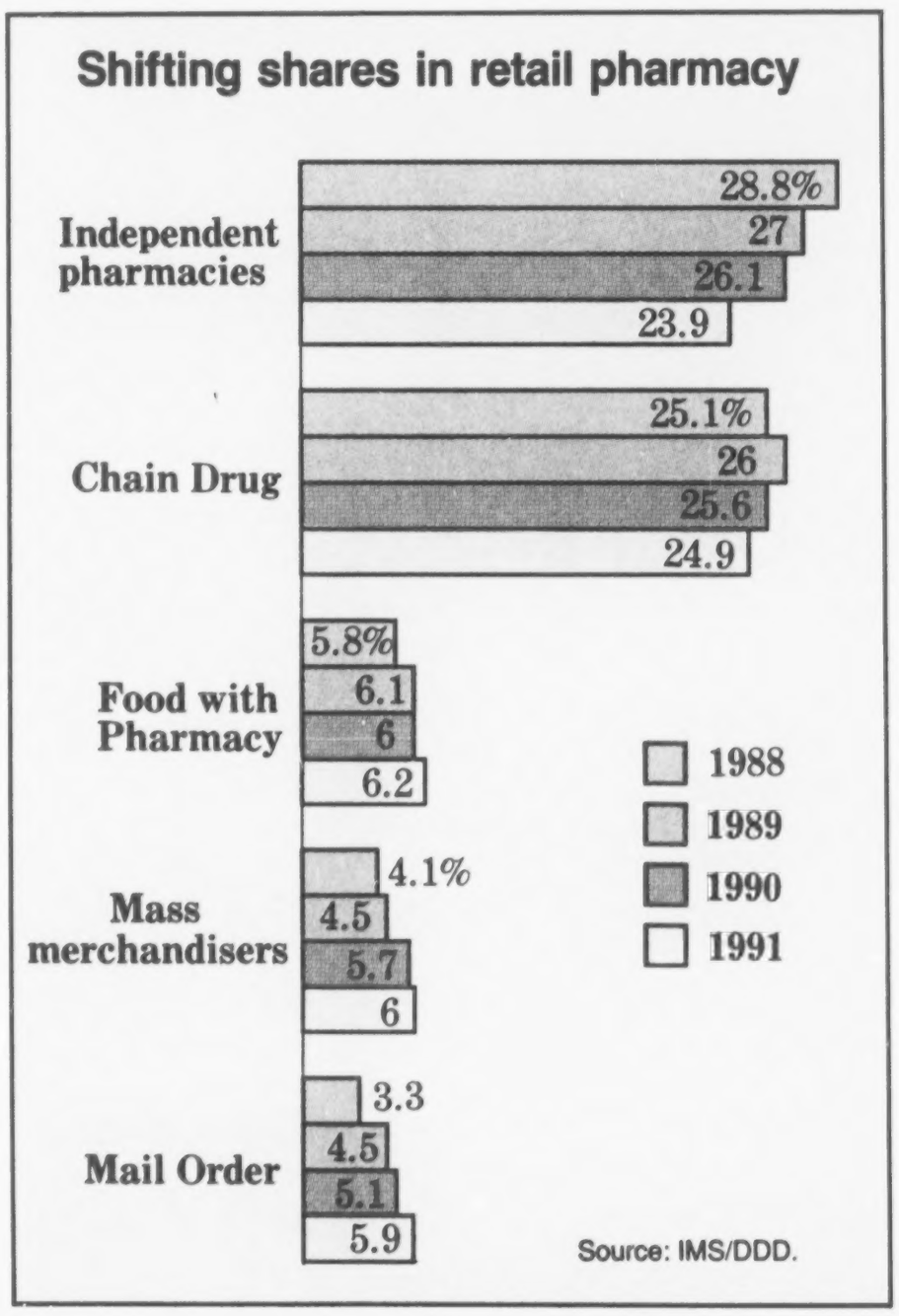
- Fits underneath toilet seat.
- Affordable and convenient.
- Easy to install and operate. Connects to the sink faucet.
- Offers soothing relief from . . .
  —hemorrhoids
  —childbirth
  —post-surgical inflammation
- Excellent personal hygiene device for daily use.
- Other Spritz products include "Spritz Oil Spray" and "Spritz Feminine Post-Surgical Mist."

To order or for further information call:

The Spritz

THE SPRITZ CORPORATION
2825 Wilcrest Drive
Suite 100
Houston, Texas 77042
713-781-0504

Circle #020 on Reader Service Card



Third drug class issue resurfaces

Continued from page 32
molecular entities (NMEs) approved for marketing in the U.S. since 1985.

The new batch includes five new medicines for cancer or cancer-related conditions, two arthritis drugs, nine NMEs for the treatment of cardiovascular and cerebrovascular disorders and a pair of new AIDS drugs.

Additionally, FDA's 1991 approvals include new medicines offering "significant therapeutic gains" in the treatment of such diseases as precocious puberty, Gaucher's disease and chronic lymphocytic leukemia.

The bad news is that, despite years of internal maneuvering to reform the government's new drug approval process, it's taking longer for FDA to bring new drugs through the regulatory thicket and on to the market.

Average review time for each of the 30 NMEs approved last year rose to 30.3 months—up from 27.7 months in 1990.

Concerns over a so-called "drug lag" also resurfaced last year. Indeed, many of the NMEs cleared by FDA during 1990 are products that have been available to patients in Europe months, if not years earlier.

The past year also offered mixed results for the generic drug industry. On the downside, federal prosecutors continued to level charges of fraud and corruption against key generic producers and a number of indictments were handed down during 1991 as a result of the unfolding scandals.

On the other hand, there were indications that the bloodletting was beginning to end for the generic drug industry. A new group of regulators was put in charge of generic drugs at FDA, and approvals of Abbreviated New Drug Applications for new generics had begun to pick up.

OTCs: fresh interest

The past year witnessed a revival of the running debate over a proposed "third class of drugs" available without a prescription but only from a pharmacist.

Much of the interest centered on a system advocated by NARD to create a "transitional" group of pharmaceuticals which are being switched from prescription to non-prescription status. NARD's plan would temporarily limit the sale of such drugs to pharmacies but eventually allow them to be marketed OTC in all retail stores.

Although that proposal has drawn criticism from OTC drug manufacturers and various retail segments, several consumer groups have expressed support for the transitional class plan.

Meanwhile back at FDA, the agency's marathon 20-year old review of OTC drug safety and efficacy is continuing at geologic speed. Significantly, however, "monographs" for several key OTC categories were developed during 1991 and agency officials now claim they see light at the end of the tunnel.

The outlook for FDA's program of shifting prescription drugs to non-prescription status is considerably less clear.

Although several dozen prime candidates for prescription-to-OTC switches have been identified, some observers believe that FDA officials are no longer giving top priority to transferring drugs to non-prescription status.

Adding to the uncertainty: political pressure from Congress that may make FDAers gun shy about dropping prescription requirements for many pharmaceuticals.

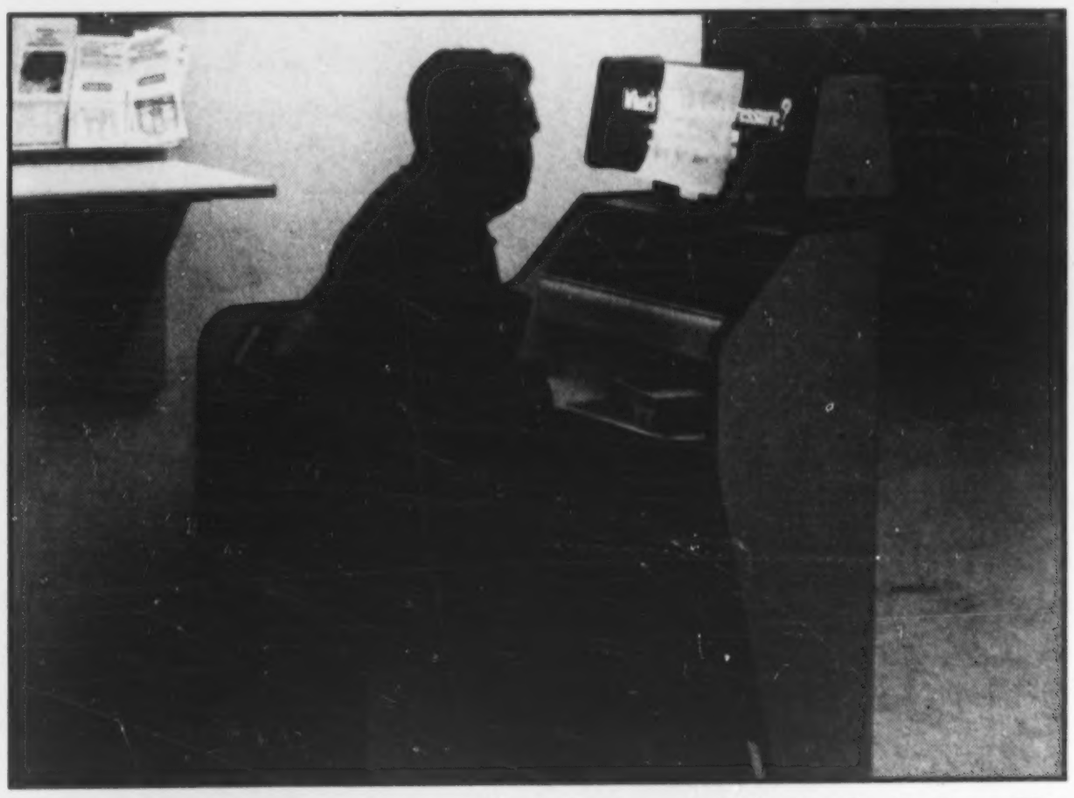
Investigators at the Congressional General Accounting Office stoked the coals earlier this year with a controversial report the House Energy and Commerce Committee which raises questions about the safety of many OTCs now on the market.

One possible outcome: legislation requiring FDA to establish more rigorous safety and effectiveness standards for OTCs. ■

Pharmacy's power players

Chains	Number of pharmacies	Total stores
1. Rite Aid	2,438	2,438
2. Kmart	1,731	2,403
3. Eckerd	1,684	1,684
4. Walgreens	1,662	1,680
5. Wal-Mart	1,231	1,901
6. Revco	1,150	1,150
7. Hook-SupeRx Inc.	1,062	1,157
8. CVS (A)	1,015	1,250
9. Medicine Shoppe	870	870
10. American (B)	706	706
11. Thrifty	618	618
12. Thrift	531	531
13. Kroger	491	2,245
14. Safeway	415	1,115
15. Pay Less	408	408
16. Big B	284	305
17. Phar-Mor	271	271
18. Longs	265	265
19. Reliable	265	265
20. Albertson's	262	551
21. Fay's	254	256
22. Drug Emporium	229	229
23. Perry	207	221
24. SGC-Pathmark (C)	171	181
25. K&B	169	169

A. Includes Peoples
B. Includes Jewel Oscos with pharmacies
C. Includes free-standing drug stores
Source: *Drug Store News* 1992 survey; Chain Store Guides.



Information kiosks and pamphlets are some of the tools chains offer to information-hungry customers who wish to be better informed.

Rx-to-OTC switches fueled '91 drug store sales

NEW YORK — An unusually severe flu season and the success of two prescription brands switched to over-the-counter status helped fuel drug store sales in the entire OTC drug market last year.

"It was a real good year," said a buyer for Pontiac, Mich.-based Perry Drug. "Our sales were up and it was a big cough/cold and flu season."

In the cough/cold, allergies and sinus category, the biggest part of the OTC drug market, retail drug store sales enjoyed double-digit growth, rising 16 percent in 1992 to $1.4 billion compared with 1991, according to Towne-Oller Associates Inc. Unit growth was also in the double digits, rising 12 percent to 232.3 million, according to Towne-Oller.

Analgesics, benefitting from a savvy marketing move to segment the market, also enjoyed double-digit sales growth last year. Retail drug sales sprinted 16 percent to $1 billion over 1991, while unit volume rose 12 percent to $232.2 million.

But the biggest jump by far occurred in the feminine hygiene category. Drug store sales, excluding paper products like tampons, skyrocketed 135 percent to $291.5 million over 1990, while unit volume leaped 18 percent to $54.5 million over the year-earlier period, according to Towne-Oller.

Analysts and buyers for chain drug stores credit the lion's share of that sales increase to two prescription brands that were introduced as OTC items for the first time—Gyne-Lotrimin (from Schering-Plough) and Monistat 7 (from Johnson & Johnson).

At some chains, the added traffic due to the OTC antifungal preparations helped spark an increase in the entire feminine hygiene category.

"They did expand the category," said Jim Culpepper, a buyer at PayLess Drug Stores. "Not only those items but existing items saw bigger sales because of the extra traffic. They brought more exposure to already existing items like douches, powders and sanitary napkins."

At PayLess, sales last year in the entire feminine hygiene category jumped 200 percent over 1990, according to Culpepper. And, the two antifungals outsold all other items in the category both in dollars and in units, he said.

Moreover, Culpepper said that the unit movement per month of the antifungals is already higher in 1992 compared to the same year-earlier period.

Hemant Shah, an independent drug industry analyst in Warren, N.J. who has long followed the industry, said that first-year sales of Gyne-Lotrimin and Monistat 7 as OTC drugs topped sales of ibuprofen products, like Advil and Nuprin, in their first year as OTCs.

"I think it is spectacular," said Shah, referring to the antifungals. He predicts that the feminine hygiene products have the potential to top $1 billion in sales.

Schering-Plough spokesman Doug Petkus said the Gyne-Lotrimin preparations for vaginal yeast infections enjoyed a terrific year. The product was first introduced to the trade in January 1991, getting an invaluable head start, he said, on Johnson & Johnson's Monistat 7, which was introduced two months later. "Being the first brand is important," he said.

According to Petkus, sales last year of Gyne-Lotrimin as an OTC drug quintupled the sales of the product when it was available only on prescription. Sales last year of the product soared to $115 million versus $22 million in 1990, he said.

Last year, Schering-Plough shelled out more than $25 million to advertise the product, an aggressive approach that Petkus credits with Gyne-Lotrimin's retail success. Asked if the company would support the product as actively this year, Petkus said "We are going to be as energetic this year as we were in 1991."

Continued on page 44

1991 OTC productivity in chain drug stores

Category	'91 sales (add 000)	'91 % increase	% of category
Cough/cold	$1,207,397	11.6%	16.9%
(Tabs/caps/lozenges)	739,976	12.5	10.4
(Liquids)	467,421	10.3	6.5
Analgesics	891,254	13.7	12.5
Dental care	728,633	7.2	10.2
Vitamins/nutritionals	623,323	2.2	8.7
Laxatives	559,861	5.6	7.8
Baby needs	552,409	1.4	7.3
Family planning	386,393	11.8	5.4
Feminine hygiene	376,047	19.3	5.3
Antacids	360,291	6.3	5.0
Eye care/lens care	351,949	1.6	4.9
First aid products	334,746	0.8	4.7
Foot care products	249,572	8.0	3.5
Diet aids	161,465	0.3	2.3
Anti-diarrheal/Anti-nausea	106,807	11.0	1.5
Home health care	94,207	1.9	1.3
Sleeping aids	43,895	11.6	0.6
Acne preparations	41,182	4.7	0.6
Wets & dries	36,444	8.5	0.5
Asthma inhalers/tabs/liq	18,364	5.1	0.3
Miscellaneous	51,432	2.1	0.7
TOTAL	$7,145,668		

Source: *Drug Store News* industry survey.

Drug store sales fueled by Rx-to-OTC switches

Continued from page 43

Indeed, one of the reasons that Schering-Plough must keep its eye on the market is the formidable strength of its competitor, Johnson & Johnson, a titan in the industry that knows a few things about OTC marketing.

The success of the once prescription-only antifungal preparations follows on the heels of other products that have been switched to the OTC market and enjoyed a huge jump in sales, analysts said. Examples include Advil and Nuprin, which now top $400 million in retail drug sales.

Pharmaceutical companies have long known that switching a product from prescription-to-OTC can mean a spectacular increase in sales. Indeed, of the best-selling OTC drugs launched since 1975, all but one are products that began as prescription drugs, according to the Nonprescription Drug Manufacturers Association.

The association predicts that over the next two to five years, companies will file over 50 petitions to the Food and Drug Administration to have drugs switched from prescription-to-OTC status.

Kline & Company, a market and research firm based in New Jersey, estimates that switches will more than double OTC drug sales from $11 billion today to $28 billion by the year 2010.

And FIND/SVP, a New York-based research and business intelligence company, predicts that the size of the market for prescription-to-OTC switches will total $3.6 to $3.9 billion by 1996 alone.

Those are some heady numbers. But consider the products that may be switched; they include some of the best-selling drugs in pharmaceutical history.

SmithKline Beecham, for example, filed last December an FDA petition to switch Tagamet to OTC status. Analysts expect several other marketers of anti-ulcer drugs to follow suit, including the Merck/Johnson & Johnson OTC partnership, which is expected to file to switch Merck's antiulcer drug Pepcid. Marion Merrell Dow is expected soon to file to switch Carafate, and Glaxo is also expected to throw its hat into the ring with Zantac.

Other categories expected to dramatically alter because of switches include allergy, sinus and cold; and analgesics, according to analysts and FIND/SVP.

In the analgesic category, for example, Syntex is expected to file an FDA petition to switch Naprosyn, the company's best-selling anti-arthritis product. The company has established a joint venture with Procter and Gamble to market nonprescription drugs, a strategy that mirrors the Merck/Johnson and Johnson partnership.

But the biggest seller, analysts agree, would be in the cold and

Continued on page 46

Potential Rx-to-OTC switches

Drug	Therapeutic use	Manufacturers	OTC marketer
Seldane	Allergies, cold	Marion Merrell Dow	same
Hismanal	Allergies, cold	Johnson & Johnson	same
Claritin	Allergies, cold	Schering-Plough	same
Nasalcrom	Allergies	Fisons	same
Proventil	Allergies	Schering-Plough	same
Theo-Dur	Asthma	Schering-Plough	same
Intal	Asthma	Fisons	same
Naprosyn	Analgesic	Syntex	Procter & Gamble
Anaprox	Analgesic	Syntex	Procter & Gamble
Feldene	Analgesic	Pfizer	same
Dolobid	Analgesic	Merck	Merck/Johnson & Johnson
Indocin	Analgesic	Merck	Merck/Johnson & Johnson
Clinoril	Analgesic	Merck	Merck/Johnson & Johnson
Tagamet*	Antacid	SmithKline Beecham	same
Zantac	Antacid	Glaxo	Sandoz
Carafate	Antacid	Marion Merrell Dow	Marion Merrell Dow/ Schering-Plough
Pepcid	Antacid	Merck	Merck/Johnson & Johnson
Axid	Antacid	Eli Lilly	same
Nizoral	Antifungal	Johnson & Johnson	same
Spectazole	Antifungal	Johnson & Johnson	same
Nystatin	Antifungal	generic	—
Methenamine Mandelate	Antiinfective	generic	—
1% Hydro-cortisone**	Skin irritation	generic	same
Soma*	Muscle relaxant	Carter-Wallace	same
Flexeril	Muscle relaxant	Merck	Merck/Johnson & Johnson
Cholybar	Lipid lowering	Warner-Lambert	same
Nicorette	Smoking cessation	Marion Merrell Dow	same
Opticrom	Eye irritations	Fisons	same
Sulamyd	Eye irritations	Schering-Plough	same
Rogaine	Baldness	Upjohn	same

*Application for Rx-to-OTC switch pending with the FDA.

**Note: On Aug. 30, the U.S. FDA said drug manufacturers could market products containing up to 1% hydrocortisone.

Source: FIND/SVP.

Rx-to-OTC switches fueled '91 drug store sales

Continued from page 44

allergy market, where Marion Merrell Dow is expected to push for a prescription-to-OTC switch for Seldane, a popular non-sedating antihistamine, now only available on prescription.

While switches can be a cash cow for drug companies, they are also a way for companies to lengthen the marketing exclusivity of a drug, said Ron Nordmann, a drug industry analyst at PaineWebber.

Nordmann said that Syntex, for example, will lose its patent on Naprosyn in December 1993. Under federal laws, if the company gets the regulatory OK to market an OTC version of the drug before the expiration, it will lengthen its patent protection for another three years.

"The point is that many companies are utilizing OTC switches as a way to lengthen marketing exclusivity," said Nordmann.

Despite the success of prescription-to-OTC switches for drug companies and drug store chains, independent pharmacists, consumer groups and members of Congress are becoming increasingly concerned about the safety of OTCs.

The FDA has recently been criticized for its lax inspection of the OTC market. A controversial General Accounting Office study released in March said the FDA does not have enough information about the safety on non-prescription medicines on the market. The GAO also said that FDA has too little authority over the market.

Consumer groups and some independent pharmacists also charge that consumers are misusing once-prescription only medications.

"I have no objection to making these drugs available to the public, but I fear that many people use these medications inappropriately when they go over the counter," said Howard Levine, co-owner of Belmont Drug in West Babylon, N.Y.

He said that medications like hydrocortisone that are now available OTC are being used for cuts and bruises, which is contraindicated. Ditto for the feminine antifungals, which he fears are being used for bacterial infections—another inappropriate indication.

Levine believes that switches should first be classified as a third class of drugs, dispensed by a pharmacist only after a consultation. Consumers need time to be educated about the uses and abuses of powerful once prescription-only drugs, he said.

"Lets face it. If aspirin came out today, it would probably be classified as a prescription drug," said Levine. ■

Chains are merchandising products that depend on pharmacist input near the pharmacy department to encourage questions from confused customers.

Pharmacists' recommendations still carry plenty of weight when it comes to OTC products; experts say over 87 percent of recommendations result in a sale.

'Many companies are utilizing OTC switches as a way to lengthen marketing exclusivity.'

—Ron Nordmann

Eye care remains flat as user base erodes

By James Frederick

With 1991 sales easily topping the $1 billion mark, the eye care category remains a powerful lure for pharmacy retailers and an indispensable need for some 25 million wearers of contact lenses. A steadily declining population of new lens wearers, however, has taken a toll on a once-booming category and flattened out growth.

What's hot, what's not

Solutions for cleaning, storing and disinfecting lenses were one of the hottest-growing HBA categories on drug and supermarket shelves a few short years ago, as baby boomers and advances in soft lens and gas-permeable lens technology exploded the number of users. But an aging user base now has both manufacturers and retailers predicting flat sales long-term.

"As we look out over the next two or three years, we see a flat market," admitted Bob Novander, director of lens care for Bausch & Lomb's Personal Products Division. "We're really caught in that population cycle, with a lot of people over 40 and a lot under the age of 18."

Steve Sisler, director of OTC merchandising for 65-store True Quality Pharmacies in McKinney, Texas, agrees the market is "big-time flat," at least near-term, as "fewer people wear contacts" and "sales of glasses are up tremendously.

"Two years ago, lens solutions were blowing off the shelves," Sisler said. "Eye care at one time was a very, very strong profit entity. But profits have gone down. There's been a reduction in turns.

Sisler said that as turns have slowed down in lens solutions, True Quality has pared its offering to put turns back where they should be. "Our stores have cut back the size of the section, from 8 to 12 feet down to about 4 feet in the majority of stores.

Manufacturer aggressiveness needed

Sisler said some brands are hurting worse than others, and he urged those manufacturers to reassert themselves at both the professional and retail levels.

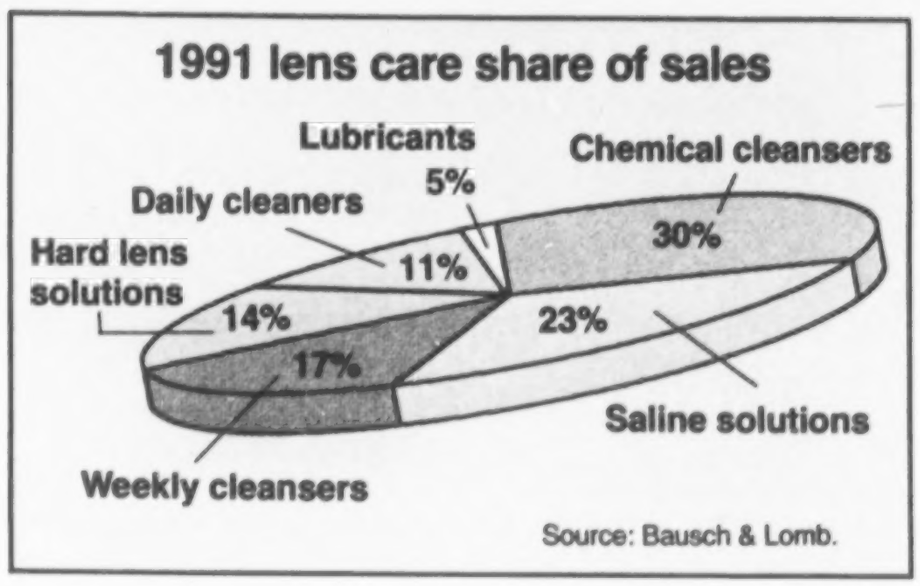
"They have to get back to detailing, to get that system into the hands of the opthalmologists, because that is where they are going to build the business," he said.

Eye care category growth slows

(Predicted sales and unit growth rate, by year—in millions)

Category	1991 Sales	1991 Growth	1992 Sales	1992 Growth	1993 Sales	1993 Growth
Soft lens care	$ 702	(1.0%)	$ 691	(1.6%)	$ 681	(1.4%)
Rigid gas-permeable/ hard	110	10.0	117	6.4	124	6.0
General eye care	245	8.4	261	6.5	278	6.5
Total eye care	$1,057	2.1%	$1,069	1.1%	$1,083	1.3%

Source: Bausch & Lomb.



"And, they have to get back to a promotional structure" for retailers. "With contract pricing, there is no incentive for retailers to buy in and promote the product."

Retailers have responded to the flattening out of the eye care market in a variety of ways, although they all acknowledge that it remains an indispensable adjunct to drug store merchandising.

Drug stores capture almost 50% sales

Indeed, drug stores still command nearly 50 percent of the eye care market in dollar sales, according to one manufacturer-sponsored study.

A buyer for Sav-on Drugs in Birmingham, Mich. said the chain has limited its lens care selection and supplier base and allows its store managers to buy and stock the section on a direct store delivery basis.

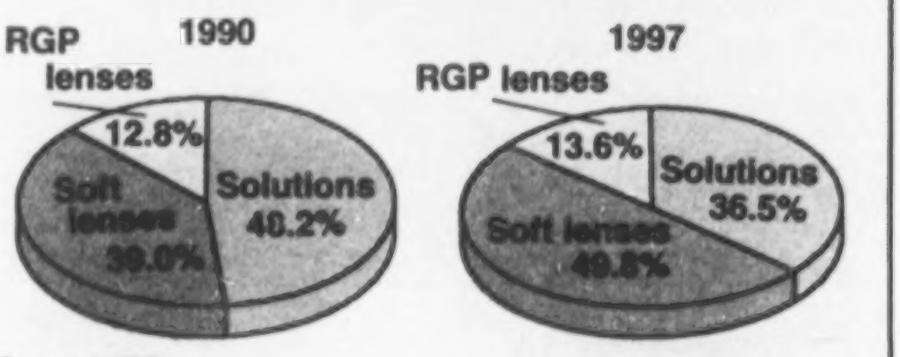
At the other end of the spectrum is Columbus-based Drug Emporium. The deep discount chain stocks some 220 eye care items and attempts to dominate the category and "influence the customer mind-set."

"By carrying the widest selection of eye-care products, all at deep-discount prices, the company is finding that when a customer thinks eye care, chances are increasing that she is at the same time thinking Drug Emporium," noted a company report last year.

Despite the recent softening of demand, Bausch & Lomb's Novander predicts another period of strong growth several years hence, when the younger generation enters the lens market. And he said the lens-care industry—dominated by Bausch & Lomb, Allergan, Alcon, Ciba Vision and a handful of other suppliers—would continue to come to market with new innovations. ■

Total contact lens and solution market:

Percent of revenues by type of product (U.S.)



C5150-2

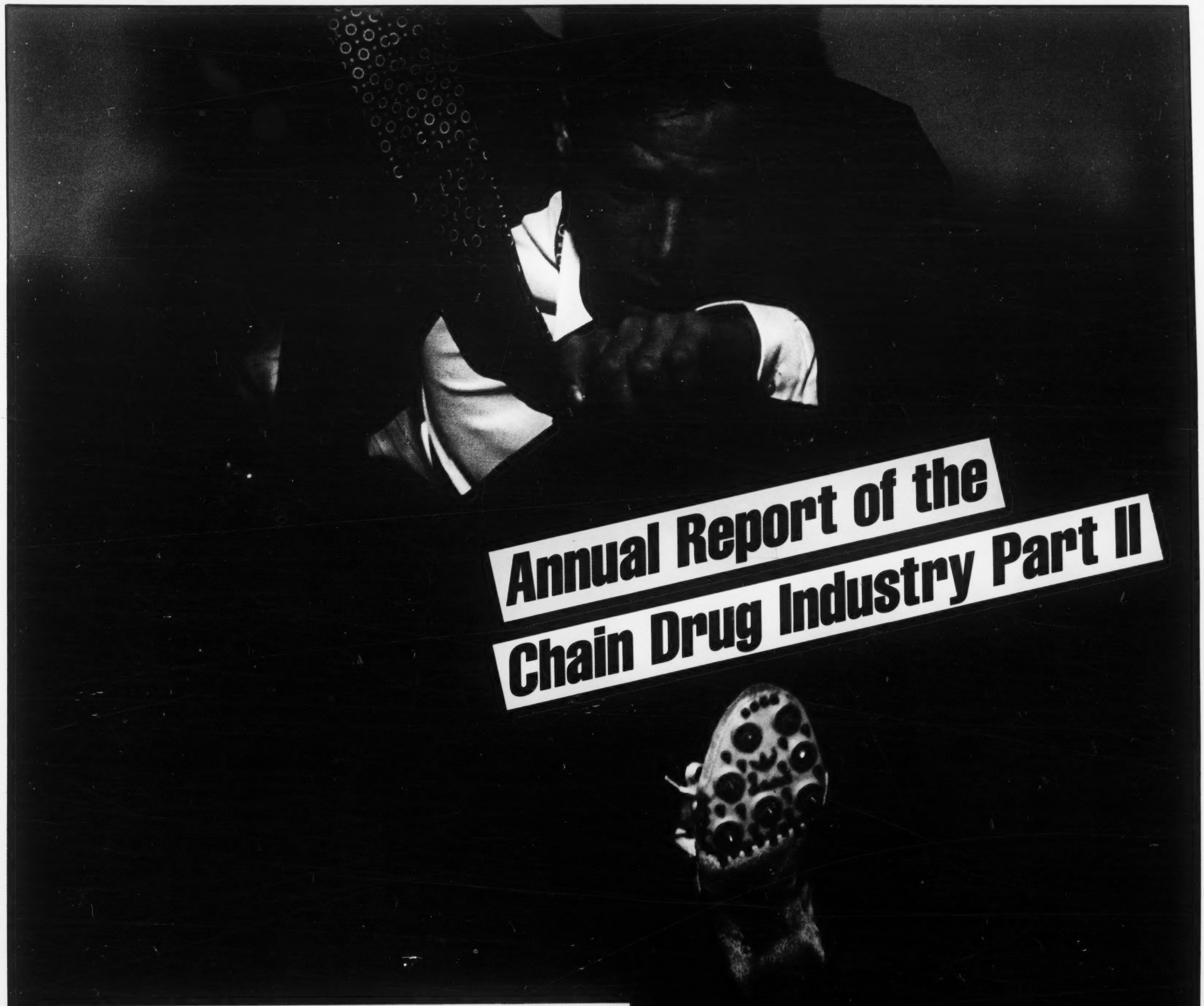
The newspaper of drug store retailing

May 4, 1992

DRUG STORE NEWS

Vol. 14 No. 9

A Lebhar-Friedman publication



Annual Report of the Chain Drug Industry Part II

Under the gun, drug chains run harder

3-DIGIT 208
********** 012457 DR 9313 011/01897
ATTN: SRI
CONGRESSL INFO SVC
4520 E W HWY
BETHESDA MD 20814

NEWS IN BRIEF

Albertsons expands Fort Worth DC

FORT WORTH, Texas — Albertsons has begun to expand its distribution center here to 1.1 million square feet from 731,000 square feet to support its growing presence in the Southwest and Midwest. The expansion will support Albertsons stores in Texas, Louisiana, Kansas, Nebraska and Oklahoma.

With the Jewel Osco deal concluded, the chain operates 638 supermarkets and combos in 19 states.

M&M, Hershey weigh in with rebates

NEW YORK — Another sign of price pressures in the market: M&M/Mars unveiled a wrapper rebate program offering consumers 5 cents for each single bar and king size wrapper in the company's entire line. It has also lowered its wholesale price on bagged family packs by an average of 9.4 percent, and it plans to run "buy one get one free" FSI promotions in May and July.

Hershey weighed in with its own rebate offer which allows consumers to receive unlimited 5-cent refunds for any 1-ounce or larger bar, if they send in a minimum of 20 wrappers. Consumers can donate refunds to the Children's Miracle Network.

Arbor names cosmetics head

TROY, Mich. — Arbor Drugs has promoted David Van Howe to director-purchasing for cosmetics, fragrances and jewelry. Van Howe will report to vp-purchasing Dennis Wozniak and will work directly with cosmetic supervisors in store presentation.

Boutrous wins Ad Pro of Year in Iowa

WEST DES MOINES, Iowa — Victor Boutrous, director of marketing for Medicap Pharmacies, Inc., was named the 1992 Ad Pro of the Year by the Advertising Professionals of Des Moines. Boutrous recently assembled a creative team and helped to secure over $156,000 in pro bono media commitments for the "Iowa Needs a Cleaner Planet" campaign.

Treece: Cancer Society honor

MEMPHIS — Jerry Treece, president of Super D Drugs, has been selected as the American Cancer Society's volunteer of the year for the Memphis/Shelby County area. Treece serves as president of the chapter.

He will be roasted locally on May 17 by a panel that includes NACDS chairman Ron Ziegler, former Peoples Drug Stores president David Eisenberg, Walgreens district manager Jud Romans and Dick Gurley, dean of pharmacy at Univ. of Tennessee.

Robinson to help lead Interfaith group

DETROIT — Perry chairman and ceo Jack Robinson has been elected Jewish co-chair of the Greater Detroit Interfaith Round Table, a local chapter of the National Conference of Christians and Jews.

The Round Table also includes co-chairmen for the Muslim, Catholic and Protestant faiths, each of whom rotate into the presidency of the organization.

NACDS' Peterson joins Whitehall

NEW YORK — Ted Peterson, formerly senior vp of trade relations at NACDS, has joined Whitehall Laboratories as assistant vp and director of national accounts.

Whitehall also named David Swenson as director of consumer and trade promotions. Robert Guest has been named assistant vp and director of field sales from assistant vp and director of national accounts.

IN THIS ISSUE

FEATURES

IRI Highlights 18
Annual Report Part II 21-69
FMI Study 72

COSMETICS AND FRAGRANCES

Beauty Beat 12

DEPARTMENTS

Opinion
In the Market 6
The Human Side 6
Product Updates 16
Finance 10
Planning Your Shelves 71
Supplier News 71
Store Manager Training 74

Bob Martini named chairman, acquires Bergen board control

By Allene Symons

ORANGE, Calif. — Robert E. Martini was named chairman and ceo, and five other senior officers were given expanded roles in a recent Bergen Brunswig Corp. management realignment.

Martini served as president and ceo until he was named to succeed former chairman Emil P. Martini Jr., who died on March 16. Robert Martini now holds almost 100 percent of the Class B or voting stock, which gives Martini control over election of board members.

In another appointment, Dwight A. Steffensen, former executive vp and chief operations officer, was named president and chief operations officer. Steffensen joined Bergen Brunswig in 1985 when Synergex was merged with BBC.

Four executive vps were also designated with new functional responsibilities. Neil F. Dimick was named executive vp and cfo; Phillip R. Engle, executive vp and president/drug operations; Milan A. Sawdei, executive vp, chief legal officer and assistant secretary; and Denny W. Steele, executive vp, chief information officer.

The board of directors also authorized a buyback of around 1.4 million shares (of 37.5 million shares outstanding) of Class A common stock from the Martini estate. When made final around the end of April, the move will reduce the number of outstanding shares and increase the value per share, notes Bergen's vice president of corporate affairs, John T. Fay.

Of the outstanding shares of Class B or voting stock, Robert and Emil Martini each held 50 percent of 100,000 shares, excluding the holdings of one small shareholder. Robert Martini's voting control will be effective until as late as February 1994.

Robert Martini

On that date, all outstanding Class B or voting shares will automatically be converted to Class A stock by the provisions of an existing recapitalization plan, Bergen's John Fay told *Drug Store News*, explaining: "In February 1994 we become a so-called shareholder democracy."

Rite Aid program encourages moms to test for breast cancer

SHIREMANSTOWN, Pa.— Rite Aid has expanded its Mother's Day discount mammogram program to include the Washington, D.C. market.

The program, piloted in central Pennsylvania two years ago, is designed to encourage women over 35 to have a breast examination and it provides for reduced cost mammograms.

Mammograms can cost up to $250 at some facilities. With the card, women only pay a negotiated rate of $40 or $50 (depending on the market) at participating health facilities.

This year, Rite Aid's program is a joint effort with the American Cancer Society and its local affiliates. The corporation has also enlisted the help of local television stations in each market. The stations will run public service announcements and special programming alerting women to the dangers of delaying regular screenings and will also urge women to take advantage of the special offer.

Special Mother's Day cards providing information on screenings and outlining the discount are available at more than 550 Rite Aid pharmacies in the central Pennsylvania, Philadelphia and Washington, D.C. markets from April 20 to May 10.

A first-time mammogram provides a screening for breast cancer—one of the most common types of cancer in American women—and establishes a starting point for future comparisons. One in nine women are diagnosed with breast cancer over the course of their lives, according to the American Cancer Society. ACS estimates that 90 percent of these cases could be clinically cured if they had been detected in an early stage.

"All health professionals agree that early diagnosis and treatment is the most effective means of combating breast cancer," said Alex Grass, Rite Aid's chairman and ceo. "Our pharmacists will be emphasizing the importance of regular screenings to women and will also encourage men to carry the message to the women in their lives."

Eckerd, magazine join to sponsor national telethon on parenting skills

CLEARWATER, Fla. — Could you be a better parent?

Eckerd Drug Stores and *Parenting* magazine want to know. As part of the national Children's Miracle Network Telethon, the drug retailer and publishing concern have joined forces to query the American public on its parenting skills.

Opinions on issues such as spanking, breastfeeding, appropriate child behaviors and daycare will be revealed when the telethon airs on May 31. The results will be presented during a 10a.m.-to-noon segment of the telethon that will be hosted by singer Marie Osmond and football great Merlin Olson.

Eckerd is helping with the telethon and survey on several fronts. An estimated $350,000 will be donated through two different programs. The retailer donates 20 cents for every prescription filled for children through age three and 50 cents per customer on ancillary photography services such as enlargements.

"We got involved in the poll because Eckerd has been a sponsor of the telethon in years past but more or less on a regional level and we had always wanted to do more," said Eckerd advertising manager Patty Aldrich.

The chain began distributing surveys in its stores throughout the south and southeast on April 15. The surveys are located near store registers and also appear in *Parenting* magazine. Once survey results are tabulated they will be discussed by a panel of children's experts, including Eckerd pharmacist Jo Ann Nuccio. Issues that will be focused on include infant safety, nutrition and health, sex education, building self-esteem and drug abuse.

In addition to having a pharmacist on the panel of experts, the chain will also have some on-screen signage that will appear during the two-hour parenting poll special, according to Steve Williams, vp of communications with CMN.

"I know Eckerd is interested in reaching the

Continued on page 8

Wal-Mart: in a category all its own

IN THE MARKET
BRUCE BUCKLEY

The focus in this issue is on the remarkable achievement of the chain drug industry during the past year—remarkable because it occurred in an economic climate that put consumers on edge and muffled sales in other retail segments.

Many of the chain drug retailers that combined to produce almost $50 billion in sales last year are profiled in these pages. But ironically one of the biggest players in the chain drug market isn't even listed on our top 50 chart.

I'm speaking, of course, of Wal-Mart.

Because of its success over a broad array of retail segments, Wal-Mart has been under intense scrutiny by all sorts of business analysts, and many different reasons have been offered for the company's steep climb from small regional operator to the pinnacle of retailing success.

A recent article in the *Harvard Business Review* suggests another way of looking at the reasons for Wal-Mart's achievements. The authors—George Stalk, Philip Evans and Lawrence E. Shulman—are vice presidents of the Boston Consulting Group. A couple of years ago they wrote an article in this influential business journal on how successful companies in the '80s used time—the speed of response to customer needs—as a potent strategic threshing machine to mow down rivals.

In the current issue they take a broader approach. Speed is just one part—though an extremely important one, they write—of a total commitment to "a new conception of corporate strategy that [the authors] call 'capabilities-based competition.' "

The concept of a strategy based on capabilities developed in this 8,000-word essay is complex. But essentially it means focusing broadly on *behavior*—"the organizational practices and business processes in which capabilities are rooted," and choosing and investing in those that offer the most significant competitive advantages.

In Wal-Mart's case the authors go into great detail about the company's distribution system, with particular emphasis on the rapid flow of goods and information through the network whose parts encompass vendors, distribution centers, trucking fleet and stores.

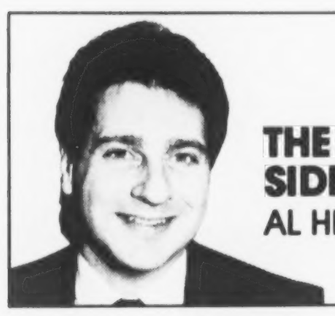
By cross-docking the cataract of products that flow from its 4,000 vendors to 19 warehouses and thence to stores, Wal-Mart is able to achieve a rapid response to the product movement information that is itself flowing like a cascade from stores to DCs. Upstream and downstream both unruly flows are tamed and put to use. Goods are purchased in truckloads based on the "pull" from stores. But they spend very little time taking up warehouse space. Typically the cycle time from warehouse to store is less than 48 hours; shelves in most stores are replenished two times a week.

The speed of the product flow, the palletized truckload purchases, the management of inventory through the entire system—all allow Wal-Mart to cut its cost of sales by 2 percent to 3 percent vs. industry average, according to the authors. That saving provides part of the muscle behind Wal-Mart's potent everyday low pricing strategy, which in turn is a big part of the reason for its monumental sales growth.

Wal-Mart's investment focus on enhancing its distribution logistics as part of its overall focus on competing on capabilities doesn't come cheap. But the payoff has been the creation of the most potent force in retailing.

Some of the companies profiled in this issue have done a remarkable strategic job in emphasizing their own logisitics capabilities, but none has done it better than the Bentonville giant.

Big spenders flock to low-priced formats



THE HUMAN SIDE
AL HELLER

Radical shifts in consumer shopping habits are grist for revolutionary approaches by retailers that will determine whether they thrive or survive—or worse—in the '90s.

"Almost 25 percent of the business is. . .in play in the market because people are breaking out of the single shopping trip," says Willard Bishop, president of Willard Bishop Consulting. He served as part of a research team brought together by the Food Marketing Institute to conduct a massive study of non-traditional retail formats.

The study's initial findings were presented at the FMI Midwinter Conference, with a final report due at its annual industry convention in Chicago this month.

A shift in consumer loyalty to wholesale clubs, discounters and deep discount drug stores can be attributed to their efforts to undercut on price, buy in bulk, hold down operating costs and—equally important—educate consumers to stock up on larger sizes and expect less service and selection than they get at traditional combos or supermarkets.

Conventional drug chains, of course, face even greater marketing challenges from alternative formats because their resources to combat the threat are more limited than large food chains and their pharmacy-HBA franchise is such an attractive target. Moreover, drug chains can't offer the same appeal of one-stop shopping as large supermarkets.

Bishop, citing results of interviews with more than 1,200 consumer households and focus groups in the survey, said: "One-stop shopping is still great for 80 percent of the people, but 20 percent do a significant amount of splitting of their grocery shopping across alternative formats."

What's more, "we see evidence that the alternative formats are skimming off the larger, bigger-spending households," added Jim Heisler, senior vp of Opinion Research Corp., another partner in this study.

Alternative format shoppers spend an average of $110 weekly in supermarkets compared with $79 for supermarket shoppers in general, he added.

"The average consumer today is willing to make trade-offs in the alternative formats. They value quality and price most," said Heisler. "Variety and convenience are valued next over service."

That finding leaves conventional store operators with plenty of ways to become preferred outlets. But the yellow flags are waving. Non-food categories—HBA, paper products, laundry supplies and pet needs—are "under attack," said Heisler.

"Club stores, discount department stores and deep discount drug stores are all growing rapidly. . .a significant portion of their growth is in our product lines," said Hugh Farrington, ceo of Hannaford Bros. and chairman of the FMI committee that oversaw the study.

There's a theoretical limit to the advances that can be made by these alternative formats. Whenever they add an item to their mix, they raise their costs and lower turns, and dull their ability to have razor-sharp prices.

Still, today's reality is loaded with pressure for conventional drug and food store operators to respond. These new formats aren't skimming. They're cutting into the core shopping base and luring some of the most productive, stock-up shoppers.

DRUG STORE NEWS®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady,** ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.**
(Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **John Kenlon**
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619.
(813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAlear Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Fuller**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Revco D.S. broadens its financial team

TWINSBURG, Ohio — Freed from self-imposed hiring restrictions as it nears an end to Chapter 11 protection, Revco D.S. has promoted three executives within its financial wing and created a new position.

Brian Carney, who joined the chain in 1989 as director of general accounting, has been named vp and controller. Carney, 31, will oversee all corporate and store-level accounting functions, including daily operations, new financial systems development and financial reporting requirements.

Revco has named Charles Breckenridge to the new post of vp of control support services, responsible for preventing and controlling shrink at all levels. Breckenridge, 49, is a three-year Revco employee who last served as director of internal audit, and is a veteran of Coopers & Lybrand.

Finally, Gregory Wilson has been promoted to assistant treasurer, financial planning. The 43-year-old former director of financial planning and analysis joined Revco in 1985.

Hannaford Bros. net sales curbed by harsh economy

SCARBOROUGH, Maine — Hannaford Bros. Co. reported net sales for the first quarter ended March 28, 1992 at $486.8 million, a mere 0.2 percent increase over the $485.9 million reported for the same period last year.

James Moody Jr., chairman and ceo, said the slight sales increase was due to the harsh New England economy. He said the comparison was worsened by the fact that Easter fell in the second quarter this year, compared to its inclusion in the first quarter last year.

"Our customer traffic counts continue to increase, but sales per transaction remain lower than a year ago," he said. "Same store supermarket sales were down 2.6 percent from last year, reflecting both the economic environment and the Easter comparison factor."

Despite sluggish sales performances, Hannaford posted consolidated net earnings for the first quarter at $8.8 million, an increase of 8.9 percent over last year's first quarter earnings of $8 million.

"Gross margins have remained strong and our efforts to control costs throughout the organization have paid off," said Moody.

In a related development, Hannaford vp-finance Robert Wade told attendees at an analysts' meeting that Hugh G. Farrington, a 24-year Hannaford veteran, will absorb the title of ceo in addition to his role as president. Farrington will replace James L. Moody Jr., who served as Hannaford ceo since 1973.

Moody will continue as chairman of the board and will focus his attention on board activities and will assist in long-range planning, corporate development and external affairs.

Albertsons buys Jewel Osco stores

Continued from page 5

costs associated with the takeover will cut first-quarter net earnings by an estimated $25 million, the company said.

American Stores, meanwhile, will net about $325 million from the sale after liabilities and taxes. The money will be used to reduce long-term debt "consistent with the company's intention to reduce debt over time," American said in a statement. It added that it will show a one-time loss of about $20 million stemming from the sale.

The 74 stores generated about $1.45 billion in sales in fiscal 1991, American said, but sustained a pre-LIFO loss of $18 million. "Operations (for those stores) would not be profitable for the first quarter of fiscal year 1992," American added.

The sale cuts American Stores' supermarket operations to 939 grocery and combo stores, allowing it to concentrate on its profitable core markets, said a spokesman.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 9 May 4, 1992

MARKET DIARY:

Largest Dollar Gainer	Abbott Labs.	$ 2.75	Advances	19
Largest Dollar Loser	Carter-Wallace	$ – 9.00	Declines	39
Largest Percentage Gainer	Pharmaceutical Resources	13.95%	Unchanged	4
Largest Percentage Loser	Zenith Labs.	– 10.81%	New highs	0
			New lows	5

	Close 4/6/92	Close 4/20/92	Net Change	Percent Change
Drug Store News Index	4854.65	4769.98	– 84.67	– 1.74
Dow Jones Industrial Average	3275.49	3336.31	60.82	1.86
Standard & Poor's 500-Stock Index	405.59	410.16	4.57	1.13
N.Y.S.E. Composite	223.79	225.77	1.98	0.88
Value Line Index	254.54	252.78	– 1.76	– 0.69

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 4/6/92	Closing Price 4/20/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.25	5.25	0.00	0.00	28	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	21.75	21.75	0.00	0.00	23	0.12	0.55	25.25	15.50
OTC	Big B	BIGB	15.00	14.13	– 0.88	– 5.83	16	0.20	1.42	16.25	10.63
OTC	Drug Emporium	DEMP	8.13	7.75	– 0.38	– 4.62	—	0.12	1.55	9.25	5.50
NYS	Fay's Inc.	FAY	9.63	9.50	– 0.13	– 1.30	17	0.20	2.11	15.25	8.25
ASE	Genovese Drug	GDX.A	10.38	10.25	– 0.13	– 1.20	10	0.24	2.34	14.75	9.13
NYS	Longs Drug Stores (L)	LDG	34.00	34.38	0.38	1.10	13	1.08	3.14	44.38	33.13
OTC	Medicine Shoppe	MSII	24.75	23.75	– 1.00	– 4.04	18	0.36	1.52	30.75	19.00
NYS	Perry Drug	PDS	9.50	9.00	– 0.50	– 5.26	13	0.00	0.00	11.63	5.88
NYS	Rite Aid Corp.	RAD	21.50	21.38	– 0.13	– 0.58	15	0.52	2.43	23.75	17.25
NYS	Walgreen Co.	WAG	35.88	34.50	– 1.38	– 3.83	21	0.52	1.51	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	20.63	21.13	0.50	2.42	16	0.40	1.89	24.00	16.00
OTC	Bindley Western Ind.	BIND	16.13	14.63	– 1.50	– 9.30	9	0.04	0.27	20.75	13.50
OTC	Cardinal Distribution	CDIC	28.50	26.00	– 2.50	– 8.77	21	0.08	0.31	38.75	22.50
OTC	Durr-Fillauer	DUFM	22.50	23.50	1.00	4.44	16	0.28	1.19	34.75	17.50
NYS	FoxMeyer Corp.	FOX	14.00	12.88	– 1.13	– 8.04	14	0.28	2.17	16.63	10.75
NYS	McKesson Corp.	MCK	32.75	32.88	0.13	0.38	15	1.60	4.87	40.13	32.00
ASE	Moore Medical	MMD	6.38	6.75	0.38	5.88	36	0.00	0.00	8.50	3.00
NYS	Owens & Minor	OMI	18.50	18.00	– 0.50	– 2.70	18	0.20	1.11	24.25	12.16
Manufacturer's transactions											
NYS	Abbott Labs	ABT	60.50	63.25	2.75	4.55	24	1.20	1.90	69.75	48.38
NYS	American Home Products	AHP	76.63	76.13	– 0.50	– 0.65	17	2.60	3.42	86.25	57.75
ASE	Barr Laboratories	BRL	19.00	17.38	– 1.63	– 8.55	37	0.00	0.00	37.50	12.88
NYS	Baxter International	BAX	37.38	36.63	– 0.75	– 2.01	17	0.84	2.29	40.88	31.50
OTC	Block Drugs Co.	BLOCA	57.00	53.50	– 3.50	– 6.14	17	0.88	1.64	61.00	50.50
ASE	Bolar Pharmaceutical	BLR	10.25	9.63	– 0.63	– 6.10	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb (L)	BMY	76.50	73.63	– 2.88	– 3.76	18	2.76	3.75	90.13	73.00
NYS	Carter-Wallace	CAR	98.25	89.25	– 9.00	– 9.16	30	1.00	1.12	137.50	60.13
ASE	Columbia Labs	COB	7.38	7.75	0.38	5.08	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	22.13	21.88	– 0.25	– 1.13	16	0.28	1.28	24.38	15.38
ASE	Forest Labs	FRX	33.25	31.75	– 1.50	– 4.51	30	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	6.38	5.81	– 0.56	– 8.82	22	0.00	0.00	9.75	4.19
NYS	ICN Pharmaceutical	ICN	14.25	14.50	0.25	1.75	27	0.00	0.00	25.38	4.50
ASE	Lee Pharmaceutical	LPH	1.25	1.25	0.00	0.00	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.63	14.88	0.25	1.71	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co.	LLY	72.13	69.75	– 2.38	– 3.29	16	2.20	3.15	87.75	69.50
NYS	Marion Merrell Dow	MKC	33.13	34.50	1.38	4.15	17	0.92	2.67	39.00	27.25
NYS	Merck Co.	MRK	149.38	144.38	– 5.00	– 3.35	25	2.76	1.91	169.75	107.38
NYS	Mylan Labs	MYL	37.38	34.38	– 3.00	– 8.03	34	0.20	0.58	43.25	22.00
NYS	Novo-Nordisk	NVO	83.00	84.38	1.38	1.66	18	0.60	0.71	96.00	61.00
OTC	Nutramax Products	NMPC	11.25	10.63	– 0.63	– 5.56	27	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	71.38	66.50	– 4.88	– 6.83	30	1.48	2.23	87.00	54.00
NYS	Pharmaceutical Resources	PRX	5.38	6.13	0.75	13.95	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	57.25	53.25	– 4.00	– 6.99	22	0.56	1.05	69.38	39.13
NYS	Schering Plough	SGP	56.38	53.25	– 3.13	– 5.54	18	1.32	2.48	68.00	47.25
NYS	Syntex Corp.	SYN	46.25	42.63	– 3.63	– 7.84	21	0 92	2.16	56.00	36.75
OTC	Taro-Vit Industries	TAROF	9.25	10.25	1.00	10.81	85	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	25.38	24.88	– 0.50	– 1.97	25	0.20	0.80	28.38	11.75
NYS	Upjohn Co. (L)	UPJ	37.00	35.25	– 1.75	– 4.73	12	1.36	3.86	47.88	35.13
NYS	Warner-Lambert (L)	WLA	62.75	61.63	– 1.13	– 1.79	59	2.04	3.31	79.25	61.50
OTC	Zenith Labs	ZENL	18.50	16.50	– 2.00	– 10.81	45	0.00	0.00	24.25	7.00
Other retailer transactions											
NYS	Albertson's	ABS	43.88	44.63	0.75	1.71	23	0.64	1.43	49.38	32.75
NYS	American Stores	ASC	33.38	33.63	0.25	0.75	10	0.68	2.02	45.38	26.00
NYS	Giant Food	GFS.A	21.88	21.13	– 0.75	– 3.43	14	0.64	3.03	30.38	20.63
NYS	Great Atlantic&Pacific Tea	GAP	33.25	34.13	0.88	2.63	18	0.80	2.34	52.75	25.00
NYS	Kmart	KM	52.00	49.75	– 2.25	– 4.33	13	1.84	3.70	55.00	38.13
NYS	Kroger	KR	16.88	18.50	1.63	9.63	15	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	47.88	48.75	0.88	1.83	15	1.48	3.04	55.25	38.25
OTC	Fred Meyer	MEYR	23.75	25.63	1.88	7.89	14	0.00	0.00	29.25	16.00
NYS	Penney, JC	JCP	64.75	63.50	– 1.25	– 1.93	16	2.64	4.16	67.75	47.13
NYS	Safeway (L)	SWY	15.63	14.88	– 0.75	– 4.80	26	0.00	0.00	20.63	14.38
NYS	Smith's Food & Drug	SFD	38.00	36.88	– 1.13	– 2.96	22	0.44	1.19	43.25	30.25
NYS	Wal-Mart	WMT	52.88	52.88	0.00	0.00	38	0.20	0.38	59.88	39.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

IRI Highlights: $10 million + HBA power categories

HBA leaders at drug stores
(Dollar sales in millions)

	13-week ended 12/29/91		13-week ended 12/29/91		13-week ended 12/29/91		13-week ended 12/29/91
Cold & sinus tab/cough	$281.3	Laxatives	$95.9	Shaving lotion	$67.5	External analgesics rubs	$26.2
Internal analgesics	274.3	Hair coloring	94.7	Hair conditioners	66.9	Cotton balls	23.1
Bath products	176.5	Razors	92.8	Dental accessories	62.4	Shaving cream	20.2
Vitamins	166.6	Misc. remedies	91.6	Mouthwash	53.7	Misc. health treatment	20.2
Facial moisturizer/ cleanser	154.3	Toothpaste	88.1	Foot care products	49.7	Misc. health tablets	18.0
Eye/contact lens care	142.3	Antacids	85.8	Nasal spray	49.6	Moist towelettes	16.1
Sanitary protection	131.1	Cough syrup	65.5	Hair styling gel/mousse	48.5	Oral hygiene	15.4
Feminine needs	110.6	Hand & body lotion	79.3	Diet aids	41.7	Diet pills	12.2
Shampoo	108.4	Cold/allergy liq/pda	76.9	Denture products	36.1	Home permanent kits	11.5
Deodorant	102.0	Hair spray	75.5	First aid treatment	30.4	Misc. hair care	10.3
		First aid accessory	68.6	Misc. remedy tablets	27.8		

Source: Information Resources Inc., Infoscan. Total U.S. drug stores.

Drug chains and supermarkets match up in only two of the top five highest-volume health and beauty aids categories, reveals Infoscan data from Information Resources Inc., Chicago, for the quarter ended Dec. 29, 1991.

The drug trade class was led by cold and sinus remedies, internal analgesics, bath products, vitamins and facial moisturizers-cleansers. Their combined volume in the period was $1.05 billion.

In supermarkets, internal analgesics, sanitary protection, cold and sinus remedies, toothpastes and shampoos tallied $1.03 billion.

Core HBA varies by trade class, as these charts depict.

HBA leaders at supermarkets
(Dollar sales in millions)

	13 weeks ended 12/29/91
Internal analgesics	$263.2
Sanitary protection	214.6
Cold & sinus tab/ cough	206.9
Toothpaste	182.5
Shampoo	160.0
Deodorant	158.4
Vitamins	94.2
Razors	88.1
Facial moisturizer/ cleanser	80.4
Mouthwash	78.0
Hair spray	73.5
Eye/contact lens care	73.4
Antacids	70.9
Hair conditioners	66.9
Cold/allergy liq/pdr	63.2
Dental accessories	62.4
Cough syrup	59.3
Hand & body lotion	57.8
Moist towelettes	53.1
Feminine needs	51.3
Misc. remedies	50.9
Diet aids	50.6
Laxatives	39.7
Hair styling gel/ mousse	34.6
Bath products	32.1
Denture products	29.6
Nasal spray	29.1
Hair coloring	28.8
Cotton balls	28.5
First aid accessory	27.9
Foot care products	23.2
Shaving cream	22.9
Shaving lotion	19.0
First aid treatment	16.0
Misc. remedy tablets	14.5
Misc. health tablets	12.5
External analgesic rubs	10.5

Source: Information Resources Inc., Infoscan. Total U.S. supermarkets.

MARKETPLACE...AND ALL THAT JAZZ!

DRUG STORE NEWS IS THE HOT SPOT FOR YOUR PRODUCTS TO STRUT THEIR STUFF AT THE 1992 NACDS MARKETPLACE IN NEW ORLEANS

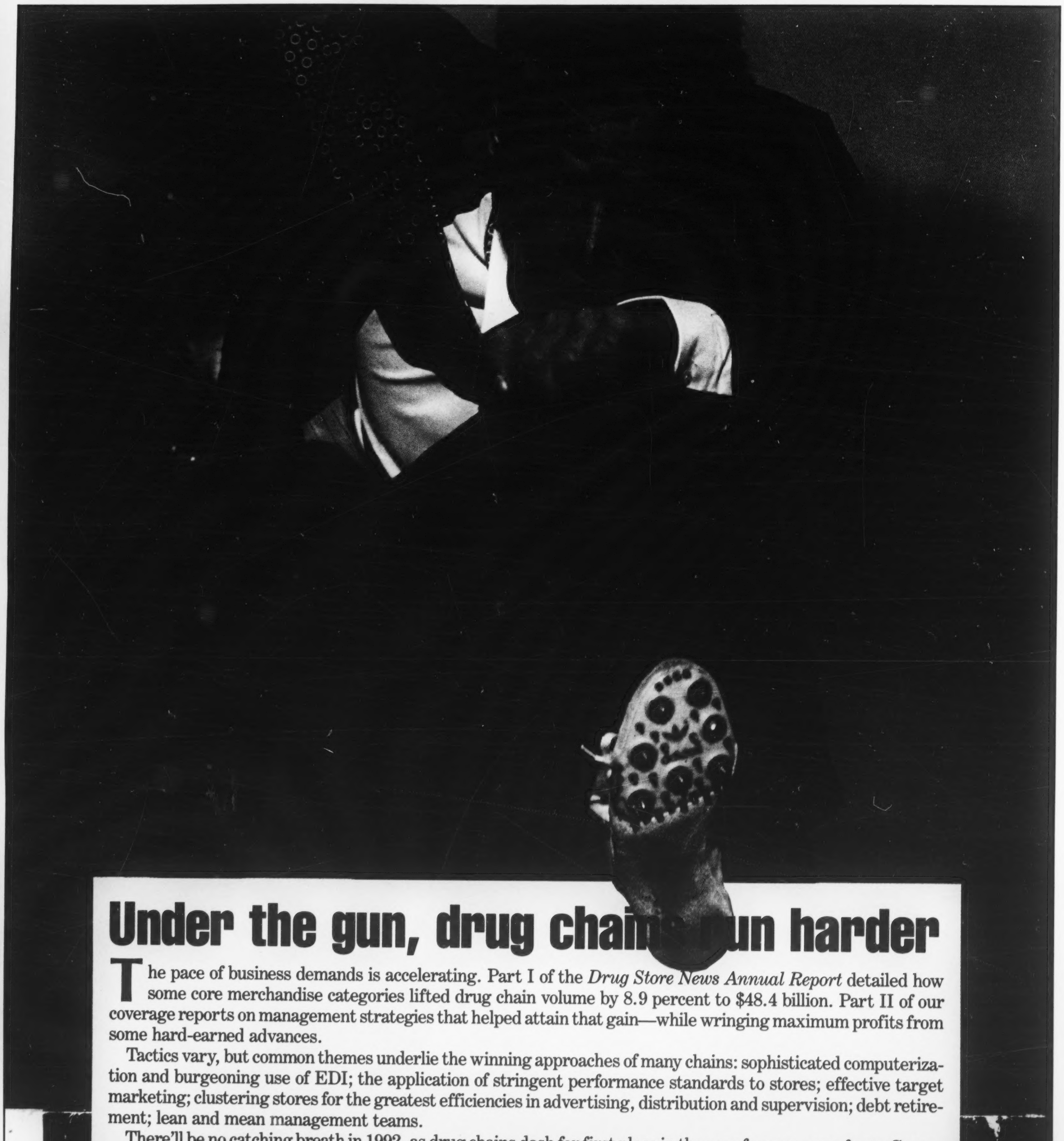
June 22nd Issue / Closing May 27th
- Gallup Consumer Study Part I*
  Female: Sun/Skin/Bath Care

July 6th Issue / Closing June 10th
- Gallup Consumer Study Part II
  Hair Care: Male & Female Market
- Core General Merchandise Roundup

Bonus Show Distribution of Both Issues
For more information or to reserve space call Jill Manee, Associate Publisher at **(212) 756-5224.**

*Free Ad Readership Survey

DRUG STORE NEWS
"The Publication of Choice"
A Lebhar-Friedman publication
425 Park Avenue, New York, NY 10022
(212) 756-5000



Under the gun, drug chains run harder

The pace of business demands is accelerating. Part I of the *Drug Store News Annual Report* detailed how some core merchandise categories lifted drug chain volume by 8.9 percent to $48.4 billion. Part II of our coverage reports on management strategies that helped attain that gain—while wringing maximum profits from some hard-earned advances.

Tactics vary, but common themes underlie the winning approaches of many chains: sophisticated computerization and burgeoning use of EDI; the application of stringent performance standards to stores; effective target marketing; clustering stores for the greatest efficiencies in advertising, distribution and supervision; debt retirement; lean and mean management teams.

There'll be no catching breath in 1992, as drug chains dash for first place in the race for consumer favor. Convenience is in their corner. Health care expertise also keeps them distinctive. And greater outreach through delivery services, pharmacist consultations, quality photofinishing and frequent shopper programs add further drive.

It's clear that drug chains, under the gun, are running harder.

Chain leaders target core areas for success

Tim McAlear, President, ceo, PayLess

The past year has been a difficult one for retailers. People say it is because of the war, the aging of Americans, increased foreign competition, the Administration, Congress. You name it—people blame it.

PayLess Drug Stores had a good year in fiscal 1991. In fact, we were ahead of plan until sales softened in the fall.

What happened in December that created such disturbing sales figures for retailers? For starters, the consumer media had a field day. Scared customers were interviewed on the street corners and in shopping malls across America who stated they were "cutting back" this Christmas.

All of this consumer media attention created anxiety among retailers as well as customers. Our survey of Oregon retailers pointed out that they all "did better than expected." They were "lucky."

Maybe they were not so lucky; maybe things were not as bad out there as everybody had been led to believe. And, our recent sales figures have shown a marked improvement.

However, I believe those businesses that are waiting for the recession to end are in for a long wait. I believe the economy will grow much more slowly in the next decade than it has in the past. I believe the customer is changing and those retailers who can remain flexible will be successful. Those who are not capable of listening to their customers and making whatever changes are necessary to keep their business will not be around in the year 2000.

The major challenge for drug stores is to keep their eye on the ball. It is too easy to get lost in the merchandise hysteria of trying to compete with the "big boxes." We have continued to focus on our core departments—pharmacy and OTC, cosmetics and HBA and camera and photofinishing.

Today, we are working harder, smarter and more efficiently than ever. We believe our customer will not shop us unless we offer real benefits, such as price, selection and convenience.

We have identified our customers and why they shop us, we have a better understanding of what we do right and what we do wrong and we intend to maintain the flexibility we need to respond immediately to the needs of an ever changing marketplace.

Eugene Applebaum, Chairman, ceo, Arbor

From superstores to megamalls to warehouse clubs to category killers, the talk of the retail community has centered on the hot new retail formats. While these new entities are drawing attention, the conventional drug store—which serves the needs of today's time-stressed and health-focused shoppers—has proven to be one of retailing's strongest performers.

Many drug stores which have strayed from their origins in health care are now returning to their roots. While some drug store chains have experimented in their stores with everything from auto parts to video rental, Arbor has never strayed from its traditional drug store format, which emphasizes convenience and health care. It is no coincidence that our market share has doubled since 1986, and Arbor has the highest sales per square foot and best net profit percentage in the drug store industry.

In today's fiercely competitive environment, it is especially important that a chain be "stores-driven" from the top down. At Arbor, four of our top corporate officers, including myself, are registered pharmacists and came up through the stores' operation. Importantly, we are owner/managers, with Arbor management owning more than 35 percent of the company's outstanding stock. As a result, all decisions are evaluated for their long-term impact, not just immediate results.

A successful drug store chain cannot rest on its laurels. To this end, in the last three years alone, Arbor has invested over $10 million in additional pharmacy computer systems and point-of-sale technology, establishing a significant competitive edge for our company.

The formula for success in the drug store industry is clear-cut. Execution and consistency are the keys. It is important that drug stores today resist the temptation of copying what works for other retail formats and stick to the basics: a focus on the core pharmacy department, getting customers in and out of the stores quickly; maintaining strong in-stock positions with competitive day-to-day prices; and providing pleasant, courteous customer service.

Inside the '92 Annual Report

Performance

Executive comments 24
Top 50 chains in sales 27
Top 50 chains in store count 28
Mergers and acquisitions 32
Stock review 32
Store formats 35
Technology 38

Profiles

Walgreens 41
American Stores 44
Eckerd 47
Revco 49
CVS 50
Rite Aid 53
PayLess 54
Phar-Mor 56
Longs 58
Thrifty 58
HSI 61
Genovese 61
Shoppers Drug Mart 62
Arbor 62
Fay's 64
F&M 64
Perry 67
Thrift 67
Big B 68
Drug Emporium 69

The Annual Report Part II section was a team effort. **James Frederick** wrote Walgreens, American Stores, Revco, Phar-Mor, Perry, F&M, Drug Emporium, Arbor and Thrift. **Barbara White** wrote CVS, Fay's, Genovese, Rite Aid, Hook-SupeRx and Shoppers Drug Mart. **Allene Symons** wrote Longs, Thrifty and PayLess, and store formats coverage. **Mike Troy** wrote Eckerd, Big B, and acquisitions coverage. **Al Heller** wrote the overview section.

Chains slow store growth, emphasize core areas to stay strong in '91

Top 50 American drug chains: 1991 dollar volume

Rank	Company	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	FY ends
1.	**Walgreens**	Deerfield, Ill.	$6,733	11.3%	1,646	5.2%	8/31/91
2.	**Eckerd**[1]	Clearwater, Fla.	3,800	9.0	1,675	0.1	2/01/92
3.	**Rite Aid**	Shiremanstown, Pa.	3,748	8.7	2,452	1.3	2/29/92
4.	**American**	Oak Brook, Ill.	3,730	0.9	711	4.4	2/01/92
5.	**CVS**	Woonsocket, R.I.	3,395	3.0	1,258	– 6.9	12/31/91
6.	**Phar-Mor**	Youngstown, Ohio	2,860	79.0	250	7.2	6/30/91
7.	**Longs**	Walnut Creek, Calif.	2,366	1.0	266	1.9	1/30/92
8.	**Hook-SupeRx, Inc.**[2]	Cincinnati	1,994	7.0	1,094	0.6	8/31/91
9.	**Revco**	Twinsburg, Ohio	1,900	– 24.0	1,150	2.1	5/30/91
10.	**PayLess**	Wilsonville, Ore.	1,892	15.0	401	24.9	1/25/92
11.	**Thrifty**[3]	Los Angeles	1,808	– 23.0	620	– 17.1	12/29/91
12.	**Drug Emporium**[4]	Worthington, Ohio	1,500E	43.0	231	0.9	2/28/92
13.	**Thrift**	Pittsburgh	920	0.3	541	10.4	1/25/92
14.	**Fay's**	Liverpool, N.Y.	765	14.0	252	27.9	1/25/92
15.	**F&M**	Warren, Mich.	700E	17.0	107	11.5	1/31/92
16.	**Perry**	Pontiac, Mich.	641	3.0	212	– 7.0	10/31/91
17.	**Medicine Shoppe**[5]	St. Louis	609	14.0	892	2.5	9/30/91
18.	**Pay 'N Save**	Seattle, Wash.	547	4.0	123	0.0	12/29/91
19.	**Big B**	Bessemer, Ala.	488	5.0	301	– 2.0	2/01/92
20.	**Genovese**	Melville, N.Y.	447	4.0	98	2.1	1/31/92
21.	**K&B**	New Orleans	446	7.0	170	6.3	9/30/91
22.	**Arbor**	Troy, Mich.	406	19.0	121	23.5	7/31/91
23.	**Pic N' Save**	Jacksonville, Fla.	373E	NA	38	– 7.0	12/31/91
24.	**Marc's**	Middleburg, Ohio	325E	5.0	23	10.0	6/30/91
25.	**Reliable Drug**	Indianapolis	315	– 7.0	264	0.8	7/30/91
26.	**ALP Freddy's**	Woonsocket, R.I.	275	4.0	38	0.0	9/30/91
27.	**Duane Reade**	Long Island City, N.Y.	240	9.0	38	5.6	12/31/91
28.	**Rockbottom**	Port Washington, N.Y.	230	8.0	31	6.9	1/31/92
29.	**Discount Drug Mart**	Medina, Ohio	200	15.0	32	10.3	3/31/92
30.	**Super D**	Memphis, Tenn.	190E	6.0	111	8.8	4/30/91
31.	**Harco**	Northport, Ala.	165E	10.0	117	1.7	7/31/91
32.	**Kerr**	Raleigh, N.C.	163	8.0	93	2.2	6/30/91
33.	**SGC Drug Store Div.**	Woodbridge, N.J.	160E	6.5	32	0.0	2/02/92
34.	**Drug Fair of N.J.**	Somerville, N.J.	139	8.0	34	0.0	7/28/91
35.	**Snyder**	Minnetonka, Minn.	138	3.0	62	0.0	7/27/91
36.	**Medi-Save**[6]	Baton Rouge, La.	125	15.0	113	– 2.6	5/31/91
37.	**A.D. Clark**	Los Angeles	115	– 8.0	19	0.0	12/31/91
38.	**LaVerdiere's**	Winslow, Maine	101E	1.0	67	3.0	1/31/92
39.	**Rx Plus**	Phoenix, Ariz.	100	NA	88	NA	6/30/91
40.	**Wellby**	Portland, Maine	100	8.0	41	0.0	12/28/91
41.	**Thrifty/White**	Minneapolis	99E	1.0	53	– 3.6	4/30/91
42.	**Kinney Drugs**	Gouverneur, N.Y.	97	9.0	36	9.1	12/31/91
43.	**Taylor**	Louisville, Ky.	93E	– 7.0	38	– 9.5	4/30/91
44.	**Standard**	Richmond, Va.	83E	1.2	60	0.0	3/31/92
45.	**Douglas Maxi Drug**	N. Providence, R.I.	83	5.0	21	0.0	3/31/92
46.	**Bartell**	Seattle, Wash.	82	9.0	37	5.7	12/31/91
47.	**Bill's**	Benecia, Calif.	80	– 8.0	24	– 7.7	3/31/92
48.	**L.F. Widmann**	Lock Haven, Pa.	64	7.0	114	0.9	1/02/92
49.	**Drug Town**	Chariton, Iowa	63E	NA	19	– 5.0	12/31/91
50.	**True Quality**	McKinney, Texas	62	17.0	61	0.0	6/30/91

1. Includes Eckerd VisionWorks stores
2. Includes 406 Hooks, 342 SupeRx and 346 Brooks stores
3. Includes 551 Thrifty and 69 Thrifty Jr. stores.
4. Includes 127 company-owned and 104 franchised stores. Figures not released at press time.
5. Data based on calendar year
6. Store count includes retail stores only, not institutional pharmacies

Source: *Drug Store News* 1992 chain drug survey.

Top Canadian drug chains

Company	Headquarters	Drug store sales, latest FY (millions $ Canadian)	% change	Store totals	% change
Shoppers Drug Mart	Willowdale, Ont.	$2,934	3%**	671	4%
Jean Coutu	Longeuil, Quebec	1,135	19	218***	8
London Drugs	Richmond, B.C.	654	NA	39	8
Pharmasave	Langley, B.C.	400	13	181	11
Big V	London, Ont.	395	16	117	11
Pharma Plus Drugmarts	Toronto, Ont.	350E	NA	155	NA
Cumberland	Montreal, Quebec	175	NA	48	7
Lawton's	Dartmouth, N.S.	150	NA	66	– 4

E Estimated
** Without change in tax system, gain would have been 8%.
*** Including 21 Douglas Maxi Drug stores
Source: *Drug Store News* 1992 Chain Drug Survey.

Evolving character of the chain drug industry

	No. of companies			No. of stores		
Chain store size	1981	1991	% change	1981	1991	% change
Two- to three-store companies	1,817	1,103	– 39.3	4,149	2,529	– 39.0
Four- to 10-store companies	478	349	– 27.0	2,413	1,875	– 22.3
11- or more-store companies	144	116	– 19.4	12,251	18,657	+ 52.3
Totals	2,439	1,568	– 35.7	18,813	23,061	+ 22.6

Source: *Chain Store Guides.*

Average chain drug store performance

Company	Store size (sq. ft.)	Sell space	Sales per store (000)	Sales per sq. ft. of sell space
Duane Reade	5,000	5,000	$ 6,316	1,263
Medisave Pharmacies	1,000	1,000	1,102	1,102
Medicine Shoppe	1,162	650	683	1,051
Longs	24,000	16,000	8,894	556
Rockbottom	17,000	16,000	7,419	464
Arbor	10,800	8,300	3,355	449
Genovese	12,000	10,500	4,563	435
I Got it at Gary's	25,000	23,500	10,000	426
Walgreens	13,800	9,700	4,091	422
Wellby	7,500	6,000	2,439	407
Kinney	8,000	6,600	2,681	406
F&M	25,000	17,000	6,542	385
Snyder's	11,000	8,830	3,339	378
Perry	10,540	8,200	3,023	369
Discount Drug Mart	22,000	17,000	6,251	368
Fay's	13,200	10,600	3,318	313
Douglas Maxi Drug	15,000	13,500	3,952	293
American	20,000	18,000	5,246	291
Bartell	10,500	8,500	2,216	261
Rite Aid	7,000	6,000	1,529	255
Bill's	16,000	13,500	3,333	247
Revco	8,450	6,816	1,652	242
Pay 'N Save	22,872	18,754	4,448	237
Thrift	9,600	7,500	1,733	231
Kerr	9,600	8,000	1,753	219
K&B	14,589	12,794	2,624	205
Community Dist.	20,000	20,000	4,074	204
Big B	9,000	8,000	1,621	203
Reliable	7,000	6,000	1,193	199
Thrifty	19,000	16,000	2,917	182
L.F. Widmann	3,500	3,100	561	181
A.D. Clark	45,000	39,000	6,053	155
Rx Plus	8,450	7,550	1,136	151

Source: *Drug Store News* 1992 chain drug survey.

Chains slow store growth to stay strong in '91

10-year drug store growth trend

Year	Total stores	Chain stores	Chain share	Indep. stores	Indep. share
1991	51,207	20,532	40%	30,675	60%
1990	53,595	21,096	39	32,499	61
1989	54,439	20,427	38	34,012	62
1988	54,172	19,859	37	34,313	63
1987	53,963	19,142	35	34,821	65
1986	52,800	18,310	35	34,490	65
1985	52,500	17,740	34	34,760	66
1984	52,139	17,194	33	34,945	67
1983	50,264	16,589	33	33,675	67
1982	49,527	16,144	33	33,383	67

Source: Chain Store Guides.

Top 50 American drug chains: 1991 store totals*

Rank	Company	Headquarters	Store totals	% change
1.	Rite Aid	Shiremanstown, Pa.	2,452	1.3%
2.	Eckerd	Clearwater, Fla.	1,675	0.1
3.	Walgreens	Deerfield, Ill.	1,646	5.2
4.	CVS	Woonsocket, R.I.	1,258	– 6.9
5.	Revco	Twinsburg, Ohio	1,150	0.0
6.	Hook-SupeRx, Inc.[1]	Cincinnati	1,094	0.6
7.	Medicine Shoppe	St. Louis	892	2.5
8.	American	Oak Brook, Ill.	711	4.4
9.	Thrifty[2]	Los Angeles	620	0.0
10.	Thrift	Pittsburgh	541	10.4
11.	PayLess	Wilsonville, Ore.	401	24.9
12.	Big B	Bessemer, Ala.	301	– 2.0
13.	Longs	Walnut Creek, Calif.	266	1.9
14.	Reliable	Indianapolis, Ind.	264	0.8
15.	Fay's	Liverpool, N.Y.	252	27.9
16.	Phar-Mor	Youngstown, Ohio	250	7.2
17.	Drug Emporium[3]	Worthington, Ohio	231	0.9
18.	Perry	Pontiac, Mich.	212	– 7.0
19.	K&B	New Orleans	170	6.3
20.	Pay 'N Save	Seattle, Wash.	123	0.0
21.	Harco	Northport, Ala.	117	1.7
22.	L.F. Widmann	Lock Haven, Pa.	114	0.9
23.	Medi-Save[4]	Baton Rouge, La.	113	– 2.6
24.	Arbor	Troy, Mich.	112	14.3
25.	Super D	Memphis, Tenn.	111	8.8
26.	F&M	Warren, Mich.	107	16.3
27.	Genovese	Melville, N.Y.	98	2.1
28.	Kerr	Raleigh, N.C.	93	2.2
29.	Rx Plus	Phoenix, Az.	88	NA
30.	LaVerdiere's	Winslow, Maine	67	3.0
31.	Snyder	Minnetonka, Minn.	62	0.0
32.	True Quality	McKinney, Texas	61	15.1
33.	Standard	Richmond, Va.	60	0.0
34.	Thrifty/White	Minneapolis	53	– 3.6
35.	Wellby	Portland, Maine	41	0.0
36.	Pic n' Save	Jacksonville, Fla.	41	0.0
37.	Taylor	Louisville, Ky.	38	– 9.5
38.	Duane Reade	Long Island City, N.Y.	38	5.6
39.	ALP Freddy's	Rochester, N.Y.	38	0.0
40.	Bartell	Seattle, Wash.	37	5.7
41.	Kinney Drugs	Gouverneur, N.Y.	36	9.1
42.	Drug Fair of N.J.	Somerville, N.J.	34	0.0
43.	Discount Drug Mart	Medina, Ohio	32	10.3
44.	SGC Drug Store Div.	Woodbridge, N.J.	32	0.0
45.	Rockbottom	Port Washington, N.Y.	31	6.9
46.	Medic Discount Drug	Cleveland, Ohio	25	8.7
47.	Bill's	Benecia, Calif.	24	– 7.7
48.	Marc's	Middleburg, Ohio	23	10.0
49.	Douglas Maxi Drug	Smithfield, R.I.	21	0.0
50.	A.D. Clark	Los Angeles, Calif.	19	0.0

*As of latest completed fiscal years.
1. Includes 406 Hook, 342 SupeRx, and 346 Brooks stores.
2. Includes Thrifty and Thrifty Jr. stores.
3. Includes 551 Thrifty and 69 Thrifty Jr. stores.
4. Includes retail stores only, not institutional pharmacies
Source: *Drug Store News'* 1992 chain drug survey.

10-year sales trends
(in billions of dollars)

Year	Total industry	Percent change	Total chain	Percent change	Total indep.	Percent change
1991*	$74.9	8%	$48.4	9%	$26.5	6%
1990	67.6	8	43.2	9	24.4	6
1989	62.9	9	39.9	11	23.0	5
1988	57.9	8	36.0	10	21.9	5
1987	53.5	6	32.7	8	20.8	4
1986	50.2	7	30.2	7	20.0	7
1985	47.0	9	28.2	11	18.8	6
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5

Source: *Drug Store News* 1992 Chain Drug Survey. *1991 figures are based on Commerce Dept. statistics rather than on other industry sources, as in the past. Earlier-year figures have not been restated, and therefore are not comparable with 1991.

Chain drug store remodeling

Company	'91 total stores	Number of major remodels 1991	1990	1989
Revco	1,150	339	270	NA
Walgreens	1,646	133	165	166
Rite Aid	2,452	110	132	237
Eckerd	1,675	68	135	189
Longs	266	50	3	0
Thrifty	620	41	9	14
Medicine Shoppe	892	30	35	35
Thrift	541	25	37	30
Perry	212	25	38	50
Super D	111	20	0	NA
Douglas Maxi Drug	21	15	3	NA
K&B	170	10	2	NA
Genovese	98	8	6	NA
L.F. Widmann	114	7	4	NA
Kerr	93	7	9	4
Community Distributors	34	7	0	NA
Snyder's	62	6	6	8
Bartell	37	6	8	2
Big B	301	5	10	12
Phar-Mor	250	5	10	4
ALP Freddy's	38	5	3	NA
PayLess	401	4	8	6
Reliable	264	4	0	0
Medi-Save	113	4	3	NA
Fay's	252	3	1	NA
F&M	107	3	3	3
Taylor	38	3	4	1
Kinney	36	3	2	2
Pay 'N Save	123	2	5	NA
Discount Drug Mart	32	2	2	NA
Bill's	24	1	3	NA

Source: *Drug Store News* 1992 chain drug survey.

Drug industry takes a breather in acquisitions

A paltry 457 drug stores changed hands in 1991 with most of the acquisitions resulting from chains buying stores to strengthen market positions or abandoning far-flung or unprofitable stores.

In the case of Melville Corp., parent company of Consumer Value Stores and the year's most active chain, 85 stores in California were sold to American Drug Stores as CVS gave up on the West Coast. American, parent company of Osco and Sav-on, aided CVS' Southern California departure while adding to its existing 221 Sav-on stores.

CVS also divested its 33-store Health Mart division to pull out of western Pennsylvania. Pittsburgh-based Thrift Drug bought 31 of the stores and kept 26 open. Health Mart founders Robert and Dolores Gable bought two of the stores to return to business for themselves. Revco D.S. also got in on the CVS action when the U.S. Bankruptcy Court allowed it to acquire 31 of CVS' Peoples drug stores in Virginia and North Carolina.

Melville Corp. also sold 24 Freddy's deep discount stores to A.L. Price. The stores are located in New York and Florida.

As Melville and CVS were eliminating or lessening positions in California, Pennsylvania, Virginia, North Carolina, Florida and New York, it was strengthening its stronghold in the upper northeast with the acquisition of 29 Thayer Pharmacies in Massachusetts. The past year's activity at CVS left the company with 1,258 stores in 1991, compared with 1,351 stores at the close of 1990.

The year's other big deal involved Albertsons' acquisition of 74 Jewel-Osco combination food and drug stores in Texas, Oklahoma, Florida and Arkansas. Jewel-Osco's parent company American Stores cited competitive and economic concerns and a desire to raise cash to pay down long-term debt as reasons for the sale. The sale benefited Albertsons by helping the chain bolster its presence in the South.

There were few large transactions in 1991 and store acquisitions fell far below the previous year's total of 1,273 stores. Contributing to the 1990 total was CVS' purchase of 490 Peoples Drug Stores from Imasco Ltd. and Revco's sale of 441 stores—220 to the Jack Eckerd Corp. and 221 to Reliable.

Eckerd and Rite Aid would have pushed the 1991 acquisition figure considerably higher had their attempts to buy all Revco stores been successful. More than 1,150 Revco stores were sought by both chains, but neither could convince creditors of the Chapter 11 drug chain that their buyout plan offered them the best deal.

Other notable acquisitions during the past year included:

•Alco Health Services Corp. bought 57 Eagle Drugs stores in the Minneapolis-St. Paul market. The Eagle Drugs name was retained and Alco said it plans to increase the size of the Eagle distribution center from 35,000 square feet to 80,000 square feet. Alco also plans to close its 20,000-square-foot facility in Mankato.

•PayLess bought 51 Osco stores located in Utah, Colorado, and Wyoming from American Drug.

•An investment team headed by former Gray Drug Stores president Fred Barney bought 17 Perry Drug Stores in the Chicago area. The stores will be renamed Chicago Drug Mart and will change to a deep discount format. Perry has withdrawn from the Chicago market and now only operates stores in Michigan.

The year's acquisition activity

Company	Acquisition	Store locations
American Drug Stores	85 Consumer Value Stores	California
Albertsons	74 Jewel/Osco combination food and drug stores	Texas, Okl., Fla. and Ark.
Alco Health Services	57 Eagle Drugs	Minneapolis/ St. Paul
PayLess	51 Osco stores from American Drug	Colo., Utah, Wyo.
Thrift Drug	33 Health Mart/CVS	Pennsylvania
Revco D.S.	31 Consumer Value Stores	Va., N.C.
Consumer Value Stores	29 Thayer Pharmacies	Massachusetts
A.L. Price	24 Freddy's Deep Discount Drug Stores	Fla., N.Y.
Fred Barney (& investment group)	17 Perry Drug Stores	Chicago
K&B	8 Osco Drugs	Tennessee
Fay's	48 Carls Drug Stores	Upstate N.Y.

Source: *Drug Store News* research.

Drug stores show stock strength in tough economy

Drug store stocks once again showed their resolve despite a weak national economy and posted invigorating gains on Wall Street during the yearly trading session ended April 1, 1992.

The result, not surprisingly, was a corresponding white-hot rally in the *Drug Store News* Stock Index, which tracks the financial health of the industry regularly throughout the year. The box score for the *DrSN* Stock Index in the yearly period just ended: up a dizzying 950 points, or 22.9 percent, en route to a record 5103.85.

In comparison, stocks nationwide, as represented by the Dow Jones Industrial Average and the Standard & Poor's 500, paled next to the *Drug Store News* Stock Index last year. The bottom line for the Dow and S&P: up 12.8 percent and 8.9 percent, respectively. In other words, drug store stocks outperformed the S&P 500 by better than a 2-to-1 ratio en route to a rash of record highs.

The reason for last year's robust results: simply put, budget-conscious buyers flocked to these companies for their low prices and good selection. People needed to stretch buying power to the maximum. In turn, Wall Street analysts issued numerous "buy" recommendations on these firms because of their strong income statements now, and the stronger ones anticipated when the national economy revives. In the past, these retail issues have led economic rebounds and investors were betting on a repeat performance in 1992.

Exch	Company	Ticker Symbol	Closing Price 4/1/91	Closing Price 4/1/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.44	5.25	– 0.19	– 3.49	28	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	21.00	19.75	– 1.25	– 5.95	21	0.12	0.61	25.25	15.50
OTC	Big B	BIGB	10.63	16.00	5.38	50.59	19	0.20	1.25	16.25	10.63
OTC	Drug Emporium	DEMP	7.38	8.38	1.00	13.56	—	0.12	1.43	9.38	5.50
NYS	Fay's Inc.	FAY	8.75	10.13	1.38	15.71	18	0.20	1.98	15.75	8.25
ASE	Genovese Drug	GDX.A	7.63	10.50	2.88	37.70	12	0.24	2.29	14.75	9.13
NYS	Longs Drug Stores	LDG	40.75	35.25	– 5.50	– 13.50	13	1.08	3.06	44.38	33.38
OTC	Medicine Shoppe	MSII	22.25	25.88	3.63	16.29	19	0.36	1.39	30.75	19.00
NYS	Perry Drug	PDS	8.13	10.00	1.88	23.08	14	0.00	0.00	11.63	5.88
NYS	Rite Aid Corp.	RAD	15.25	22.13	6.88	45.08	15	0.52	2.35	23.75	17.25
NYS	Walgreen Co.	WAG	21.00	36.25	15.25	72.62	22	0.52	1.43	39.75	28.63

Note: Rite Aid completed a 2-for-1 stock split.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Of all the drug store retailers, none performed better than Walgreen, whose share price soared $15.25 a share, or 72.62 percent, to $36.25. Among the reasons behind the strong move upward last year for Walgreen: second-quarter earnings per share rose to 62 cents from 55 cents a share at this time last year; February sales swelled 14 percent to $606 million, on top of January's 11.5 percent gain in sales. As a result, Walgreen garnered largest dollar and percentage-gained honors of all drug store retail stocks during the period.

The box score for the DrSN *Stock Index was up a dizzying 22.9 percent, en route to a record high.*

Also popular with investors last year was Big B, which stood by as its stock price rose a robust 50.1 percent to $16. Why the powerful move upward for Big B? The drug chain operator boosted its quarterly dividend 25 percent to 4 cents a share after recording fourth-quarter earnings per share of 43 cents. Big B posted profits of 33 cents a share in the fourth-quarter of 1990.

Next in line behind Big B was Rite Aid. The reasons: like Big B and Walgreen, a strong income statement triggered the rally on Wall Street. Specifically, Rite Aid said fourth-quarter numbers came in as follows: earnings per share rose to 51 cents a share from 47 cents a year earlier. In other news, Rite Aid said it sees fiscal 1992 net income up about 15 percent overall. The result: Rite Aid's stock rose 45.1 percent before coming to rest at $22.13.

Other winners on Wall Street last year: Genovese Drug (up 37.7 percent to $10.50), Perry Drug (up 23.1 percent to $10) and Medicine Shoppe (up 16.3 percent to $25.88).

Some retailers, however, could not escape the clutches of disappointed investors last year. Take Longs Drug Stores for example, as its share price slid $5.50 a share, or 13.5 percent, before closing at $35.25. Unlike its competition, Longs Drug Stores' fourth-quarter results were lower than expected, fueling a stock sell-off last year. The bottom line at Longs last quarter: earnings per share eased backwards to 76 cents from 85 cents a share in the year-ago period.

This information is based on sources believed to be reliable, and while extensive efforts are made to assure its accuracy, no guarantees can be made. Nordby International and Drug Store News assume no liability for any inaccuracies.

Customized reports for any industry or region are available upon request from Nordby International (303) 449-0326.

New designs change with the times

More than half a dozen drug chains launched prototypes or modified formats in recent months to meet the challenge of changing times. Declines in shopping center construction have many chains expanding through existing structures and making the most of available space.

Pharmacy is on the move, too. Patient counseling drives a redesign trend to bring the pharmacist out from behind glass to a customer-friendly counter while also creating space for a patient waiting area. Since pharmacy's growth as a percentage of drug chain sales is fueled by low-margin third-party programs, this motivates chains to energize front-of-store business.

For some drug retailers, redesign attention is focused on core categories like cosmetics and toiletries, cards, film and photoprocessing. To staunch the flow of general merchandise share into the hands of mass merchandisers, some chains are reviving selected GM departments with larger assortments or eye-catching signage. Here's a sampling of some drug chain redesigns of late:

- K&B's new prototype launched in early 1992 in Baton Rouge, La., gives the chain's pharmacy a new look by eliminating the old raised pharmacy and replacing it with a sleek floor-level counter where pharmacists counsel patients and conveniently suggest OTC product, since that department was moved adjacent to pharmacy in the redesign. An open manager's office raised just behind the new bullpen checkout counter enhances both customer service and security.
- Standard Drug also dropped its raised pharmacy in favor of floor-level pharmacist stations. To change traffic patterns, Standard moved pharmacy from the front to the back in its new prototype. Starting with its Richmond, Va. store, the chain is testing the design in a few sites this year and hopes to move more high-margin impulse items in its expanded seasonal section along with other categories such as greeting cards, which was enlarged and moved to front of store. A new red, grey and black color scheme signals that Standard is up for change.
- Thrift is also going for margin gain with enhanced merchandise offerings in its test site, where departments are redefined with department store-style signing such as "Healthy Options," "Gifts & Greetings" and "Bath and Body."
- Rite Aid's new prototype boasts wider aisles with more room for expanded merchandise categories and high-margin in-and-out promotions.

Continued on page 37

Cosmetics is a standout in Walgreens' prototype, where a mid-floor service island and expanded color wall add high impact. Short, diagonal gondolas and freestanding displays add to the boutique setting.

The extra-wide promotional aisle in Rite Aid's prototype makes a value statement with cut case and opportunity merchandising of food, HBA and household product. Price-image signing reinforces the chain's value image.

Pay 'N Save customized a narrow Seattle space to meet its urban market of business workers. The store offers an espresso bar, plus a muted decor unlike Pay 'N Save's usual bright scheme.

K&B eliminated its raised pharmacy and service counter, replacing it with a sleek pharmacy and waiting area. By moving cosmetics to the front and OTC to the back, cosmetics gains traffic and pharmacists make more OTC suggestions.

Top deep discounters

Company (parent)	Headquarters	$ sales (millions)	% change	Stores	% change	No. of Rx depts.
Phar-Mor	Youngstown, OH	2,860	79%	250	8%	250
Drug Emporium*	Worthington, OH	1,500E	43	231	1	231
F&M	Warren, MI	700E	17	107	16	64
Pic 'N Save (Nat'l Merchandise Co.)	Jacksonville, FL	373E	– 9	38	– 7	38
Marc's	Middleburg, OH	325E	5	23	10	
ALP Freddy's	Woonsocket, RI	275	4	39	0	30
Rockbottom	Port Washington, NY	230	5	31	0	14
Drug Palace (Rite Aid)	Shiremanstown, PA	81E	0	40	0	40
SupeRx Deep Discount (Drug World & Warehouse Drugs)	Cincinnati	64E	NA	13	0	NA
Cost Cutters (Community Distributors)	Somerville, NJ	47	10	10	25	3
Joel & Jerry's	Largo, FL	35E	NA	9	50	9
Great American (Genovese)	Melville, NY	30E	NA	4	100	4
Drug Castle (Brown)	Springfield, OH	24E	NA	3	0	3
Price Less	Sacramento, CA	20	6	3	0	3
Ike's (Super D)	Memphis	17E	5	4	0	3

* Includes 127 company-owned and 104 franchised stores
Source: *Drug Store News* 1992 chain drug survey.

Retail diversification of major retail chains

Company	Store type	No. of stores 1990	1991
Walgreens	Home health	4	4
Medi-Save	Optical	6	9
Pay 'N Save	Hardware	1	1
Community Distributors	Deep discount	9	10
Genovese	Deep discount Photo supplies	2 1	4 1
Big B	Home health Deep discount	3 18	3 18
Rx Plus	Home health	2	2
Phar-Mor	Liquor Entertainment	5 4	9 4
Snyder's	Deep discount	1	1
Super D	Deep discount Optical	NA NA	4 11
Fay's	Auto parts Stationery	26 26	28 33

Source: *Drug Store News* 1992 chain drug survey.

Mass merchandisers/wholesale clubs with pharmacy

Company	Headquarters	No. of stores	No. of Rx depts.
Wal-Mart	Bentonville, Ark.	1,907	1,400
Kmart	Troy, Mich.	2,403	1,331
Shopko	Green Bay, Wis.	109	103
Fred Meyer	Portland, Ore.	97	93
Costco	Kirkland, Wash.	82	52
Target	Minneapolis	463	37
Pamida	Omaha, Neb.	178	24
Fedco	Santa Fe Springs, Calif.	9	9
Price Club	San Diego, Calif.	89	2

Source: *Drug Store News* survey, Chain Store Guides.

New designs change with the times

Continued from page 35

The 7,800-square-foot store, larger than the chain's other sites, provides a beefy promotional aisle. Pharmacy also got a facelift with lower counters and space for high turn OTC and health products.

- Thrifty Drug Stores rolled out dozens of sites for its still-evolving prototype in 1991. The bright new format features color-coded departments set against a sparkling white backdrop with wider aisles adding to the open look.

The chain also makes a strong seasonal statement with a bold cross aisle just beyond the checkout counters.

- Pay 'N Save added a fifth downtown Seattle location last fall by customizing a long and narrow 20,000-square-foot space in a multi-use building. The design fits its space with a six-row, low-profile grid of gondolas. The chain is targeting its urban market of professionals and seniors with such strategies as an expanded greeting card assortment, a larger convenience food section plus an espresso bar.
- Other chains like PayLess found design solutions when site opportunities arose. In its new Beverly Hills, Calif. store, located in a former Woolworth space, PayLess made the most of interior opportunities like a dramatic entrance foyer to create a Deco Moderne-look befitting the ultra-upscale neighborhood.
- Elements of the new Walgreens prototype, which appeared in more than 50 of its new and remodeled stores last year, include an expanded and upgraded cosmetics department with a mid-floor service island. Photo takes a front position under prominent signing while greeting cards are expanded. The long front service counter has been replaced by a short, open counter.

Leading supermarket companies with pharmacies

Company	Total stores	No. with Rx depts.	% change
Kroger	2,214	515	4.9%
Safeway	1,115	301	-3.1
Albertsons	531	258	0.0
Jewel Osco	146	143	0.0
Pathmark	146	138	0.7
Lucky Stores	428	124	5.1
Giant Food	154	106	2.0
H.E. Butt	175	100	8.7
Vons	321	93	-3.1
ShopRite	110	89	0.0
Smith's Management	98	79	-15.9
A & P Supermarkets	1,259	72	9.1
AppleTree (Safeway Stores)	94	66	3.1
King Soopers	66	64	0.0
Meijer	63	63	12.5
Raley's	64	62	1.7
Giant Eagle	128	58	0.0
Grand Union	314	52	1.9
Kash 'n Karry	113	50	2.0
Homeland	109	47	-2.1

Company	No. Total stores	No. with Rx depts.	% change
National Supermarkets/ Kare Pharmacy	57	47	-2.1
Randall's	45	43	0.0
Stop & Shop	117	42	7.5
Farm Fresh	84	38	0.0
Schnuck's	60	37	2.7
Tom Thumb/Page	180	36	0.0
Wegman's	44	35	8.6
Dillon's	63	34	-5.6
Furr's	81	34	0.0
Consumers Markets	35	30	0.0
Dominick's Finer Foods	99	29	0.0
Minyard	75	29	0.0
Buttrey Food-Drug	42	27	0.0
Bruno's	250	20	0.0
Smitty's Super Valu	24	20	0.0
Hannaford Bros.	88	18	-30.8
Erickson Food & Valu Drug	16	15	6.3
Foodway	94	15	25.0
Dahl's Food Markets	13	13	0.0
Carr's Quality Centers	13	13	7.4

Source: Towne-Oller, Chain Store Guides

Chain automation aids in inventory, price accuracy

Drug chains started to see bigger paybacks this past year on investments in systems, particularly front-of-store POS systems, and many are embarking on far-reaching automation projects for the '90s.

Small chains and multi-regionals are delving deeper into computer systems—although strict return on investment results aren't always measurable. Computer systems do more than automate; they can change business methods that make "before and after" comparisons difficult.

The proof is in the pudding

Evidence of hard benefits is easy to find, however. Walgreens predicted it will save billions of dollars in inventory costs while boosting turns through a system that integrates all buying, distribution and selling, and enables the chain to "think national and act local," in the words of president Dan Jorndt. The company's completion of its 1,646-store POS rollout was a giant step in that direction.

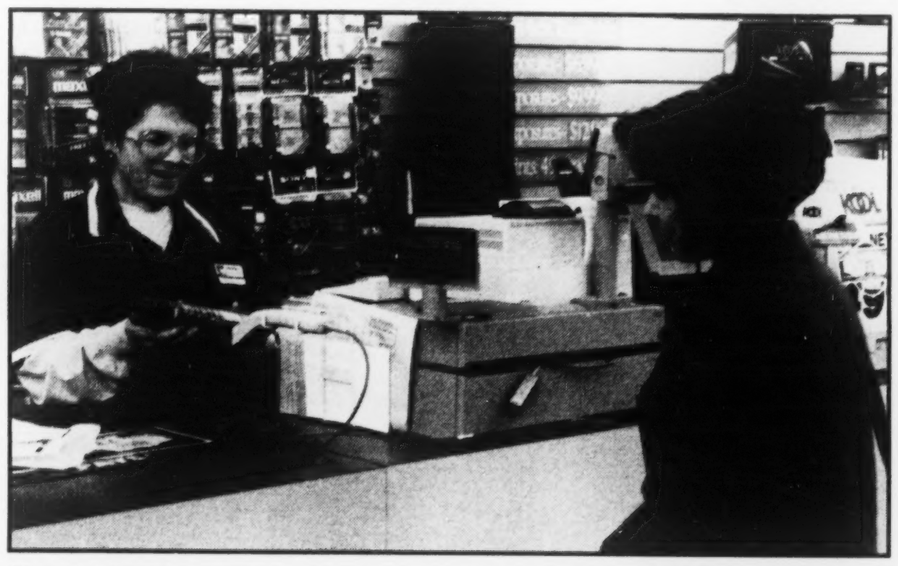
As more chains completed rollouts of scanning systems, more launched some new systems designed to make the most of POS sales data and assure accuracy of prices. MIS experts are quickly putting sales data into buyers' hands.

Senior merchandise managers and buyers are getting better information and, in most cases, better sales, profits and cost controls because of these efforts, a 1991 *Drug Store News* survey found.

With most of its stores capturing POS sales data by the end of 1990, Revco soon began to order and distribute seasonal merchandise based on actual store volume. For non-seasonals, a pilot program for automatic replenishment was launched in a handful of stores, said John Szabo, vp of MIS.

Revco's sellthrough percentage in the Halloween and Christmas seasons was "significantly better" than it had been the year before, when warehouse withdrawal data had dictated store shipments. Post-season markdowns were reduced, Szabo said.

Continued on page 39



Perry Drug Stores is nearing the end of a test of POS scanners for a planned rollout.

Drug chains with scanning
(Ranked by number of stores equipped)

Company	No of. stores	No. with scanning	% with scanning
Walgreens	1,646	1,646	100%
Revco	1,150	1,150	100
Thrifty	620	620	100
Thrift	541	508	94
PayLess	401	401	100
CVS	1,258	300	24
Fay's	252	172	68
Big B	301	140	47
Arbor	121	121	100
F&M	107	107	100
Pay 'N Save	123	106	86
Phar-Mor	250	100	40
Longs	266	44	17
Kinney	36	36	100
Community Distributors	34	34	100
Discount Drug Mart	32	32	100
Genovese	98	21	21
Snyder's	62	19	31
ALP Freddy's	38	14	37
I Got It At Gary's	4	4	100

Source: *Drug Store News* 1992 chain drug survey.

Computers aid store accuracy

Continued from page 38

The positive trend was further born out in the 1992 Valentine season when the chain sold more units in season and less on clearance than in the prior year; the total number of units sold was about the same.

POS introductions

Thrifty Drug completed its POS rollout last year, and is using the new sales data—moved to headquarters via a store satellite network—in customizing store merchandise to neighborhoods.

Although volume in individual stores of a small chain might match or even exceed that of a big chain, some smaller operators have found the investment costs for back office and systems tough to justify. Duane Reade, whose stores' geographic proximity abets efficiency, said it cannot cost-justify today's computer prices.

"It's a tough environment to make a decision," said Rick McCormick, special projects manager at Standard Drug, which has been testing POS in three stores for two years. Standard overcame a problem with inaccurate UPC codes through a policy of scanning and policing all items received at the warehouse. Meanwhile, McCormick pinned down three areas where the scanning will yield tangible results: control of price changes, ring-up accuracy and item-price elimination.

Inventory controls

A pressing need for better inventory control in its 22,000-square-foot stores and warehouse convinced Discount Drug Mart of Ohio to invest. The chain rolled out IBM 4684 terminals in all stores last year. The new sales data is being downloaded into a space management system bought in January which will analyze profits of each merchandise section, said T.J. Ferut, MIS director.

As scanning gives buyers a truer picture of "demand," buying system software automates the figuring of order quantities. Eckerd and PayLess joined the list of chains using software by vendors such as E3 Associates and Sterling Software. The systems, by saving buyers' time, free them to focus on marketing and sales building while improving replenishment and on-deal buying and lowering inventory investment.

Chains continue to find opportunities in pharmacy automation, notably with the use of fault-tolerant transaction processing computers for verifying and resolving third party claims. CVS "virtually eliminated" claims rejections, cut phone costs and improved claims turnaround with such a host-based system. That chain's programmers are writing a new pharmacy system, centralizing functions including customer profiles, drug utilization review and pricing and inventory.

As drug chains replace paper trails with high-speed electronic highways in virtually all areas of business, they have moved to test electronic data interchange with vendors. They can follow the lead of the drug wholesale industry which has proven the savings possible in automating the give-and-take of buying and delivery.

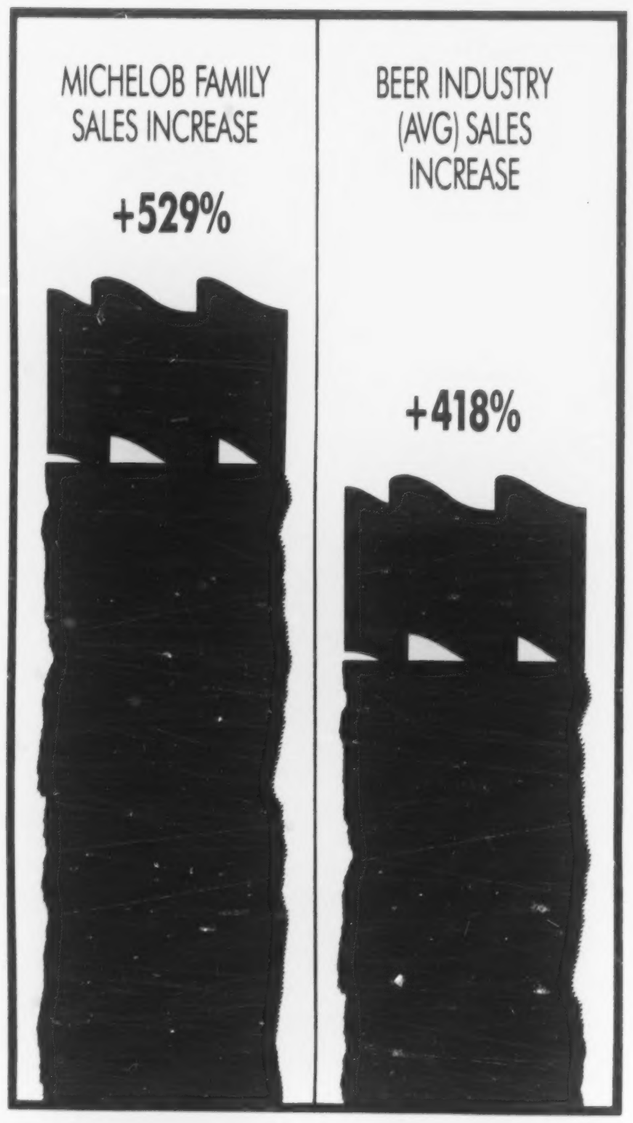
Confident of reliable POS data, drug chain MIS departments can embark on EDI and potentially share with vendor partners up-to-the-minute inventory data and new procedures for buying product.

Top warehousing drug chains
(Ranked by 1992 distribution center square feet)

Company	1991 No. of DCs	1991 Total sq. ft.	1992 No. of DCs	1992 Total sq. ft.
CVS	5	2,745,000	5	3,254,000
Walgreens	8	2,745,000	8	2,745,000
Phar-Mor	3	1,185,000	3	1,500,000
Rite Aid	5	1,389,000	5	1,389,000
Wellby	1	250,000	3	1,312,000
Thrifty	5	1,840,000	3	1,200,000
PayLess	2	1,000,000	2	1,025,000
Thrift	3	691,000	3	828,507
Pay 'N Save	2	758,000	2	758,000
Fay's	2	760,000	2	730,000
K&B	2	453,000	2	453,000
Big B	1	440,000	1	440,000
Perry	1	400,000	1	400,000
Snyder's	1	365,000	1	365,000
Genovese	1	265,000	1	265,000
Reliable Drug	1	250,000	1	240,000
Arbor	1	233,600	1	233,600
Rockbottom	1	250,000	1	200,000
F&M	3	150,000	4	200,000
Discount Drug Mart	1	181,000	1	160,000
Duane Reade	1	160,000	1	150,000
Kerr	1	125,000	1	150,000
Kinney	1	105,000	1	135,000
Medicine Shoppe	2	120,000	2	120,000
L.F. Widmann	3	40,000	3	95,000
Community Dist.	1	75,000	1	75,000
ALP Freddy's	1	70,000	1	70,000
A.D. Clark	1	60,000	1	60,000
Bartell	1	80,000	1	40,000

Source: *Drug Store News* 1992 annual chain drug survey.

And Your Sales Will Be Set.



Watch your beer sales soar with the Michelob family's "Summer Days Are Better Than Others" promotion. After all, no beer takes off like the Michelob family when on display.

Add in a chance for your customers to win vacations and other great prizes in the "Free Summer Days" promotion and this could be a record-setting summer for sales. The display also features a three-dimensional wind surfer to attract unplanned purchases.

And with Michelob's increased advertising support, the sky's the limit for beer sales. So contact your Anheuser-Busch representative for all the details.

Michelob family sales jump 529% when featured on sale and on display, compared to a category average of 418%. The highest increase in the industry. (Source: A.C. Nielsen Scan• Pro Monitor, YTD 12/31/91)

© 1992 Anheuser-Busch, Inc., Michelob® Beers, St. Louis, MO.

MICHELOB®
Some Days Are Better Than Others.™

Walgreens: Rx, automation, growth for tough times

DEERFIELD, Ill.—"It's tough out there and it's going to get tougher."

That message, delivered to hundreds of shareholders by Walgreen Co. president Dan Jorndt at the company's annual meeting in January, is one that no retail executive or store manager would argue with. Indeed, many retailers are likely to be out of business, working for new owners or scrambling to define and preserve their market niche before the end of the decade.

"Bottom line, the 'new reality' for Walgreens is that drug store retailing has entered a much more hostile decade than we faced 10 years ago," added company chairman and ceo Charles R. Walgreen III. "Our reaction to this rougher environment must be to move faster and do better by continually rethinking, adjusting and improving our ways of doing business."

That response indicates why Walgreens isn't likely to be among the retail losers of the 1990s.

Despite the sober assessment of its leaders, the chain continues to thrive and—equally important—build for the future. It also retains a firm hold on the chain drug industry's leading position in terms of sales, profits, overall performance and the sophistication of its operating, purchasing and distribution systems.

Despite last year's deep recession, Walgreens racked up another string of consistent, record-setting results. Sales for fiscal 1991 advanced 11.3 percent to $6.7 billion, pushing net earnings up 11.7 percent to $195 million. Pharmacy sales shot up 19.8 percent to 35 percent of the total business, and the chain now fills about one of every 14 scripts sold at retail in the U.S.

Meanwhile, per-store averages grew to $4.1 million a year, with sales per square foot reaching $425.

The chain sailed through Christmas and the first few months of 1992 with equally impressive results. For the first half of its new fiscal year, it pushed net earnings up 13 percent—14.3 percent in the second quarter—and grew sales by 11.5 percent. December sales rose a convincing 11 percent, with same-store results for the Christmas season up 7.6 percent. That included "the best Christmas for toys at Walgreens in recent history," according to Jorndt.

These results are the harvest of years of costly, intensive spadework in employee training, technology at all levels, store expansion, cost-cutting and other efforts.

"Over the past five years, we've invested more than $750 million. . . for new and remodeled stores. . . for new distribution centers and for the advanced systems we need," Walgreen said in January.

SIMS to go chainwide

Many of those efforts are coming to fruition, including the chain's essential SIMS program. SIMS, which stands for Strategic Inventory Management System, began rolling into stores in January and should be chainwide by the end of 1993, the company said. It links stores through POS systems with headquarters buyers and distribution centers.

In line with that multimillion-dollar effort, Walgreens hit a key milestone last November with the completion of chainwide rollout of POS scanning.

"Scanning is going to mean a lot to Walgreens and our customers, including no price-marking of merchandise, better price-control, faster service and reduced payroll," Walgreen told shareholders in January. "And, as we link up scanning with our Strategic Inventory Management System. . . we're going to get better in-stock conditions, reduced inventory and quicker reaction to sales trends. In addition, we'll be better able to monitor shrink and get a tighter handle on this major cost factor."

SIMS will also improve the ability of buyers to negotiate the best deals and terms, and make for more efficient receiving and put-away methods by Walgreens' eight distribution centers, Jorndt added.

The newest of those eight centers opened last June in Lehigh Valley, Pa. The highly automated center, which cost $43 million, "will save us transportation costs of $2.6 million annually, to say nothing of service improvements to Northeast stores," said Jorndt.

The Lehigh Valley center is also one of the first two Walgreen DCs to feature "family" A-frame picking in category order for more efficient store shelf-stocking.

The chain marked some other important advances over the past year. It made what Walgreen called a "serious entry" into mail-order pharmacy with Walgreens Healthcare Plus, in line with predictions that segment of the industry would grow 25 to 30 percent a year through mid-decade.

The chain is also "leveraging its technological superiority" to expand into nursing home pharmacy.

Meanwhile, Walgreens continues to upgrade its Intercom pharmacy automation and its pharmacy workstations to free up its professionals for more patient counseling. The chain is set to go on-line with a state welfare program, a first for a national drug chain. Also on tap: automatic drug reordering, which should help cut costs as "pharmacy gross margins are declining and will continue to trend this way," according to Jorndt, as third-party business, heavy competition and new, more costly drugs take a toll on margins.

New stores opened, to open

On the expansion front, Walgreens continues to buck the recession. The chain opened or acquired 106 stores in fiscal 1991 and is already nearly halfway along in its planned 110-store expansion this year. The chain now operates 1,692 drug stores in 29 states and Puerto Rico (1,646 at FY-end 8/31/91), and is pushing hard to fill in key markets throughout the U.S. Key target areas include Florida and California, both of which will get dozens of new stores over the next few years, and new markets like Indianapolis, which the chain will enter this fall.

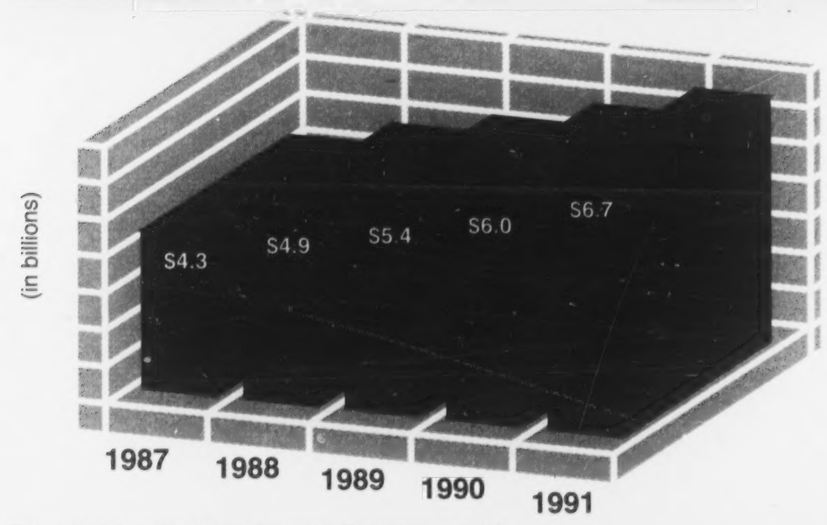
More than half of the chain's new units are freestanding. They'll feature elements of the company's new prototype, which includes a vastly upgraded cosmetics/fragrance department, an open front end, a relocated photo counter and softer colors.

"Someone asked me recently where I'd like to see Walgreens by the year 2000," said Walgreen. "I told him I'd like to see us in all 50 states by then. And if you ask me about further out, I'd say there's potential to grow to more than 4,000 stores in the United States."

Walgreens at a glance

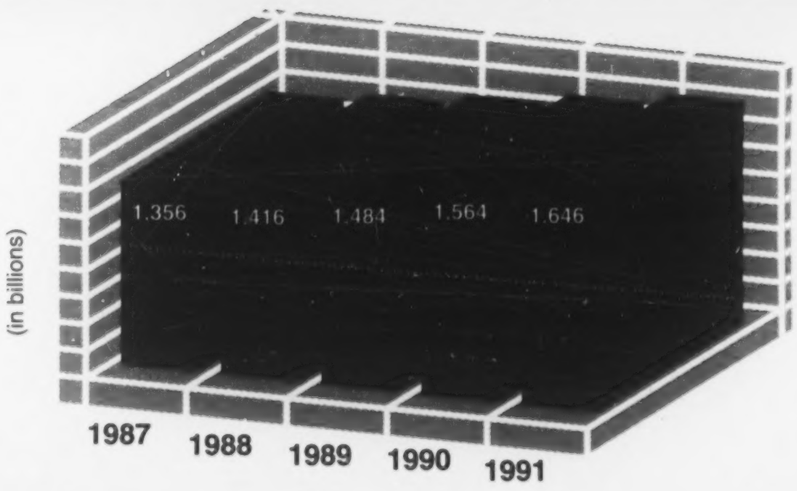
Company name: Walgreen Co.
Headquarters: Deerfield, Ill.
Officers: Charles R. Walgreen III, chairman and ceo; L. Daniel Jorndt, president and chief operating officer; Charles Hunter, vice chairman and cfo.
Sales: $6.7 billion (fiscal 1991, ended Aug. 31, 1991).
Store count: 1,692 current, 1,646 as of Aug. 31, 1991.
Average store size: 9,700 square feet (selling space).
Market reach: Coast to coast.
Highlights: Completed chainwide POS; entered mail-order pharmacy; opened 110 stores; launched SIMS in stores; added new distribution center for Northeast.

Walgreens sales climb



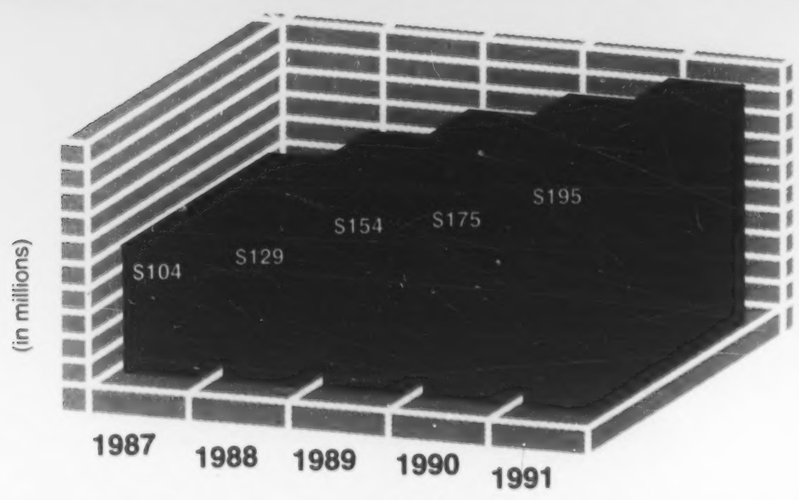
FY ended Aug 31, 1991 Source: Company reports.

Walgreens store count advances



FY ended Aug 31, 1991 Source: Company reports.

Walgreens earnings rise



FY ended Aug 31, 1991 Source: Company reports.

New geographic focus boosts American Drug sales

OAK BROOK Ill. — American Drug Stores carried more than its share of the freight for its parent company, Salt Lake City-based American Stores, in the fiscal year ended Feb. 1.

The 711-store drug chain contributed $179.2 million in operating profits to the food and drug store giant, and pushed same-store sales up a healthy 7.72 percent. By contrast, American's grocery and combo stores saw same-store results drop 1.57 percent.

Both the drug and supermarket components of American's retail empire, however, took some major steps to shore up sales and profits in the past year. Most important was a big shift in geographic focus for both American Drug and its parent. That shift involved some big store sales and a major acquisition.

The biggest was the sale last month of 74 Jewel-Osco combination stores and a general merchandise warehouse to Albertsons. The former Skaggs Alpha Beta stores were concentrated in Dallas/Ft. Worth, with units also located in other Texas markets, Oklahoma, Arkansas. Six new-prototype Jewel-Osco stores in the Tampa Bay area of Florida were also included in the sale, marking the end of a short-lived attempt to crack that market.

Just a year prior to their sale, the stores had been merged with American's Jewel Osco division, and a subsequent logo change last fall had marked the end of both the Skaggs and Alpha Beta logos from Southwestern retailing.

But the sale yielded big and immediate benefits for the debt-laden parent company. It netted American $325 million for the paydown of long-term debt, and rid the company of an unprofitable group of stores which lost $18 million on a pre-LIFO basis in fiscal 1991, on sales of $1.45 billion. American Stores chairman and co-ceo Jonathan Scott called the sale "consistent with the company's strategy started several years ago of divesting stores that are underperforming, while concentrating on markets with good performance and strong market shares."

Last June, American Stores also locked up the sale of its Alpha Beta supermarket division in Southern California to Food 4 Less, settling an agreement with the state attorney general by which it kept its more profitable Lucky Stores division in the same market. The Lucky chain now consists of 428 supermarkets, including 124 with pharmacies.

American had earlier sold off its Buttrey Food and Drug division in the Northwest, and last year explored and then backed off the idea of selling its profitable Acme Markets subsidiary.

Geographic shift

The American Drug subsidiary has also had a busy year shifting its geographic focus. The company sold 51 Osco drug stores in Salt Lake City, Denver and other Western markets to PayLess Drug Stores last June, marking the final exit of American Stores from home-market retail operations. The sale yielded approximately $60 million, and included 30 stores in Colorado, 20 in Utah and one unit in Wyoming.

Osco also pulled out of Tennessee with the sale of a handful of stores in the state.

Early this year, however, the drug retailer reversed course, scooping up 85 drug and HBA stores in Southern California from CVS. The acquisition will shore up American Drug's already strong presence on the West Coast, where its 181-store Sav-on Drug division has been gaining market share for several years against rival Thrifty.

Meanwhile, American Drug has developed and begun testing a completely new Osco store prototype which puts a brighter spotlight on pharmacy and core drug store products. The 14,000-square-foot format—far smaller than Osco's 20,000-square-foot traditional footprint—scales back on promotional and general merchandise. The so-called "New Vision" store debuted last fall in Kansas City, then rolled into Phoenix earlier this year.

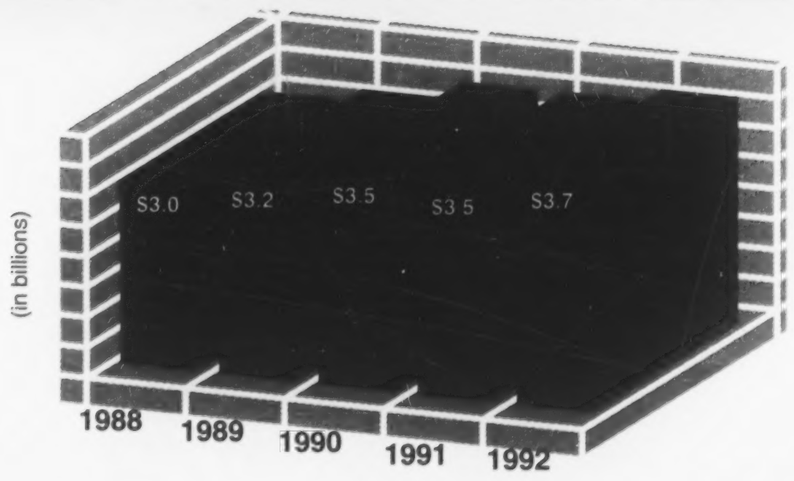
Said Cal Drexel, head of investor relations for American Stores, "We feel the smaller drug store format is the way of the future."

On another important front, Osco and Sav-on have also benefited over the past year from stable management. After revolving-door shifts in the executive ranks over the past four years, the chain's leadership has coalesced under ceo David Maher with a simpler, more centralized management structure. In charge of the Osco division is executive vp and chief operations officer Stephen Mannschreck, while executive vp Richard Davis was named chief operations officer of Sav-on.

American Drug Stores at a glance

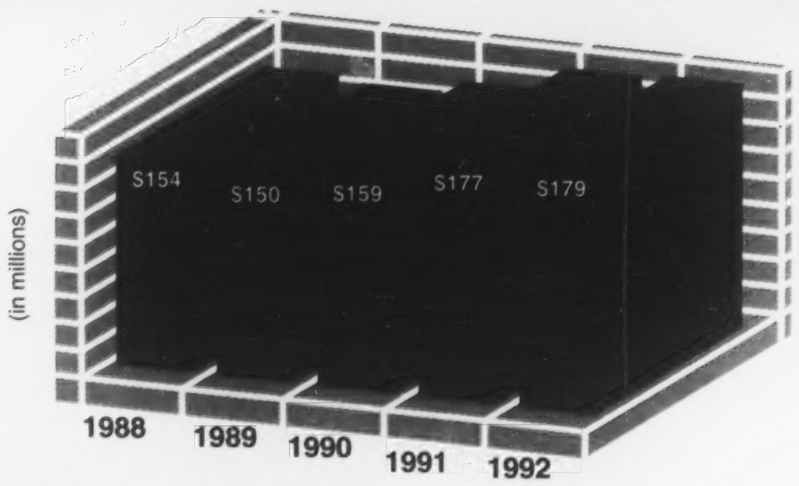
Company name: American Drug Stores
Operating divisions: Osco Drug, Sav-on Drug
Headquarters: Oak Brook, Ill.
Officers: David Maher, president and ceo; Stephen Mannschreck, executive vp/coo, Osco; Richard Davis, executive vp/coo, Sav-on.
Sales: $3.73 billion in fiscal 1991 ended Feb. 1, 1992.
Store size: 20,000-30,000 square feet.
Store count: 711 (including 151 Jewel-Osco combo stores, 294 freestanding Osco stores, 85 former CVS stores under Osco division, and 181 Sav-on stores).
Markets: 27 states nationwide.
Highlights: Purchase of CVS stores on West Coast; takeover and subsequent sale of Jewel-Osco combo stores in Texas, Arkansas, Oklahoma and Florida; strong sales and earnings performance; stabilization of management under ceo Dave Maher.

American Drug sales



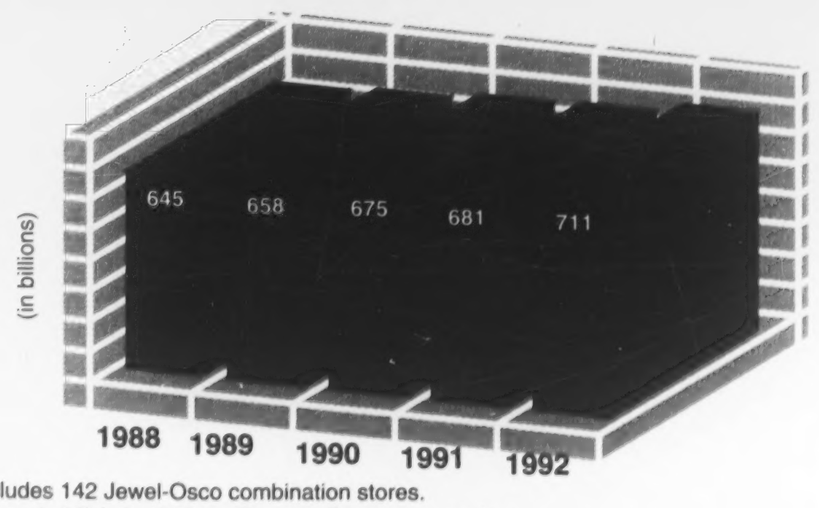
FY ended Feb.1, 1992. Source: Company reports.

American Drug earnings



Figures are pre-tax, pre-LIFO operating earnings. FY ended Feb.1, 1992.
Source: Company reports.

American Drug stores increase



Includes 142 Jewel-Osco combination stores.
FY ended Feb.1, 1992. Source: Company reports.

Future bright as remodeled Eckerd ready to go public

Eckerd's recent announcement to go public following its failed attempt to acquire Revco highlighted a year full of promise—and some disappointment—for the nation's number two drug chain.

The Largo, Fla.-based drug retailer had planned a public stock offering as part of a package offered to Revco creditors. If the deal had gone through, the merger would have added 1,150 Revco stores to Eckerd's own stable of 1,675 stores and returned Eckerd to public ownership. The dominant Southeastern drug retailer would have been catapulted into the nation's top spot, surpassing Walgreens' store count but not annual sales figures. Even though the extension of Eckerd's empire was blocked, the drug chain still had plenty to cheer about in 1991.

Sales showed good growth for the fiscal year ended Feb. 2, 1992, totaling $3.8 billion, up from $3.5 billion the previous year. Increases can be attributed to Eckerd's philosophy of emphasizing convenience and categories such as pharmacy, HBA, photofinishing, convenience foods and greeting cards. Pharmacy and OTC sales accounted for approximately 55 percent of total sales.

Pharmacy strong

Eckerd's 4,000 pharmacists filled roughly 72 million prescriptions last year for a total of $1.6 billion in sales. In the prior year, 70 million prescriptions were filled for sales of $1.4 billion. Pharmacy will undoubtably remain a strong area for the chain as it continues to tighten its grip on lucrative Southern markets, particularly Florida and Texas, states with large elderly populations.

Eckerd's formula for success emphasizes the convenience nature of the drug store and its particular types of products and services. Customers are offered service and personal attention that allows for a justification of the price differential between the chain and competing trade classes.

Also helping the bottom line in fiscal 1992 was the double-digit profitability of stores acquired in 1990 from Revco. Eckerd bought 223 Revco stores and closed all but 98 of the top-performing units.

Remodeling nearly complete

The chainwide remodeling program that began when Eckerd was taken private in 1986 continued in 1991 and is now nearly complete. Sixty-eight stores were remodeled last year with another 50 slated for work in 1992.

Besides an emphasis on pharmacy operations and store renovations, the chain continues to actively expand its profitable Express Photo lab operations. There are now 321 Express Photo labs compared to 258 at the same time last year.

The chain has recorded steady annual sales increases since it was taken private, even though it hasn't significantly increased its store total. Since the 1986 leveraged buyout, there has been a concentration on improving existing stores, acquiring others and streamlining operations. Although some Revco, Hilly's, Dunaways and Shoppers Drug Mart stores were acquired and other new units were opened, other store closings left Eckerd with a net increase of only about 100 stores, from 1,575 in 1986 to 1,675 in 1992. Another 50 are slated to open in 1992.

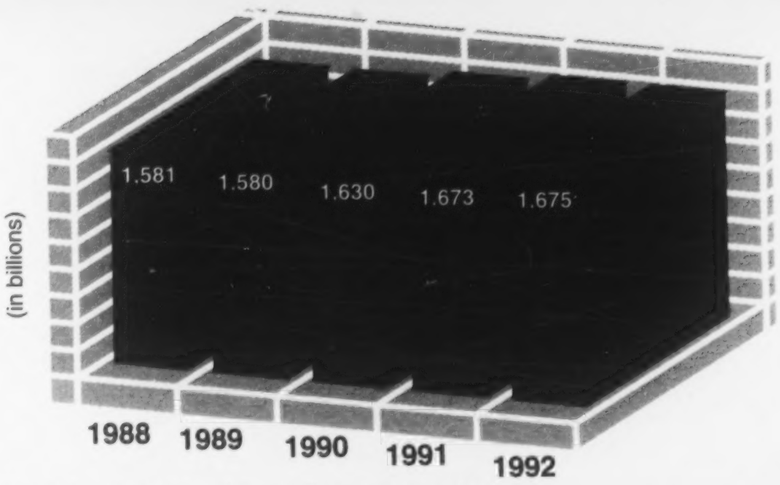
Going public

The long-term outlook for Eckerd is expected to improve now that the company has confirmed it will go public. A stock offering is tentatively planned for June and will generate cash to help pay down more than $1 billion in outstanding debt that remains from the LBO.

Specifics on the size of the offering haven't been released, but analysts expect that a smaller debt burden will allow the chain's credit rating to improve while at the same time cash will be freed up to pursue store acquisitions.

Eckerd operates in 13 Southeastern states. Had the Revco acquisition been approved by the bankrupt chain's creditors, Pennsylvania, Ohio, Virginia and New York would have been added to the chain's territory.

Eckerd store count



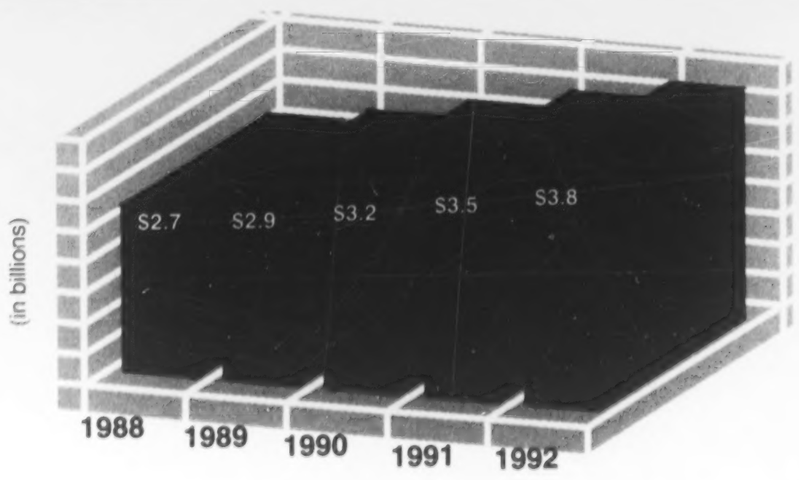
FY ended Feb.1, 1992. Source: Company reports.

Eckerd at a glance

Company name: Jack Eckerd Corp.
Headquarters: Largo, Fla.
Officers: Stewart Turley, chairman and president; Harry Lambert, president, Eckerd Drug.
Sales: $3.8 billion.
Store count:1,675.
Store size: 8,600-10,000 square feet.
Markets: 13 Southeast, Mid-Atlantic and South Central states.
Highlights: Announced a public stock offering for mid-1992; managed double-digit profitability from Revco stores acquired in 1990; continued rollout of Express Photo minilabs; beaten in attempt to acquire Revco.

Eckerd's formula for success emphasizes the convenience nature of the drug store.

Eckerd sales climb



FY ended Feb. 1, 1992. Source: Company reports.

Eckerd's cash position
(Net cash from operations after interest)

Fiscal period	Cash from operations
38 weeks ended Jan. 31, 1987	$18.5 million
Year ended Jan. 30, 1988	$127.3 million
Year ended Jan. 28, 1989	$132.6 million
Year ended Feb. 2 1990	$102.3 million
Year ended Feb. 2, 1991	$169.5 million
Year ended Feb. 2, 1992	$123.9 million*

*Estimate.
Source: Company reports.

Revitalized Revco nears end of its bankruptcy ordeal

TWINSBURG, Ohio — Like he had so many times over the past three-and-a-half years, Revco chairman and chief executive Boake Sells strode out of U.S. Bankruptcy Judge Harold White's crowded courtroom March 11 at the end of a long day of testimony, surrounded by lawyers, reporters and other Revco officers.

But this time was different. White had just given approval to Revco's revised plan of financial reorganization. That plan had already been overwhelmingly endorsed by the company's thousands of creditors, who had rarely agreed on anything over the past four years, and its OK in bankruptcy court virtually assured Revco's emergence from Chapter 11 as an intact, independent company. Its long march through the financial abyss was nearly over.

As he shook hands with Revco cfo Greg Raven and its chief counsel, Sy Hopkins of Baker & Hofstetler, Sells' expression betrayed the mixture of fatigue and relief brought on by the conclusion of the case. He and other Revco officers had the air of people who had just won a grueling marathon, but who were almost too tired for the moment to savor their victory.

"I'm elated and relieved," Sells told *Drug Store News* outside the courtroom. "Now we try to make the business better."

Indeed, Revco has been operating under a cloud virtually from the day it went private in a December, 1986 leveraged buyout engineered by former managers including Sid Dworkin, investment banker Salomon Brothers and others. Burdened with impossible debt payments and overly optimistic performance projections, the chain soon earned the dubious distinction of being the nation's largest LBO failure when it failed to make a $47 million interest payment in the spring of 1988. That July, it fled into Chapter 11, leaving creditors with $1.45 billion in unpaid bills and obligations.

It goes without saying that bankruptcy has been a strain on the company's time and resources: Revco has spent more than $80 million in legal and accounting fees and seen much of the attention of its top executives tied up in negotiations and court documentation as its creditors and potential acquirers wrangled over the chain's future.

Last year, the struggle for control of Revco intensified as Jack Eckerd Corp., Rite Aid and Revco's creditors themselves vied for ownership of Revco with rival plans of reorganization. Said Sells of that period, "It was thermonuclear war in December."

Revco's ability to function and even prevail under those circumstances will doubtless be grist for many business classes for years to come, but one thing is clear: the company that suffered under the constraints of Chapter 11 was also amazingly adept at taking advantage of the protection it afforded. Indeed, Revco has, in Sells' own words, "reinvented" itself over the past four years while its principals strove to satisfy the court and creditors and remain independent.

For one thing, Revco was able to disavow scores of leases as it sold off more than 700 stores and exited all but nine states in core markets. It has completed the chainwide rollout of advanced automation systems, including point of sale scanning and a new, powerful, interactive pharmacy system called Prescription Access Link, or PAL. Under senior vp-distribution and systems Bill Seltzer, it has upgraded its purchasing and distribution systems and revamped the store ordering process. In all, the company has used the shelter of Chapter 11 to invest more than $25 million in new retail and pharmacy technology.

What's more, Revco has overhauled its field operations, developed a new prototype, attacked shrink and completely revamped its merchandise mix. It has purchased 31 former Peoples Drug stores in Virginia and North Carolina from CVS, shoring up its market strength in the Tidewater area and making good on a promise to focus on its core operating regions. The chain has continued to spend money on a modest store opening schedule, and on major marketwide promotional activities, including its famous Health and Beauty Expos.

Revco's efforts to pull customers back into its stores and overhaul its image have also borne fruit. Same-store sales were up a sharp 10 percent in the third quarter completed Feb. 8, 1992, and operating profit rose to $18 million vs. $3.5 million for the same quarter a year earlier. That pushed Revco into the black for the first time in years, and shrank after-tax losses for the first nine months 85 percent, to $8.4 million. Meanwhile, the chain has mustered a cash reserve of more than $150 million and nailed down a new, $100 million line of working capital from CIT Group/Business Credit, Inc.

All its efforts under bankruptcy protection have left the chain poised to emerge as a strong competitor, albeit one still facing interest payments on roughly $430 million in debt.

"We have changed everything," Sells told a group of financial analysts late last year. "The only thing left is 60 percent of the real estate and the name." We sold 40 percent of the stores and took 40 percent out of the overhead. We changed all major accounting systems and remodeled more than 550 stores."

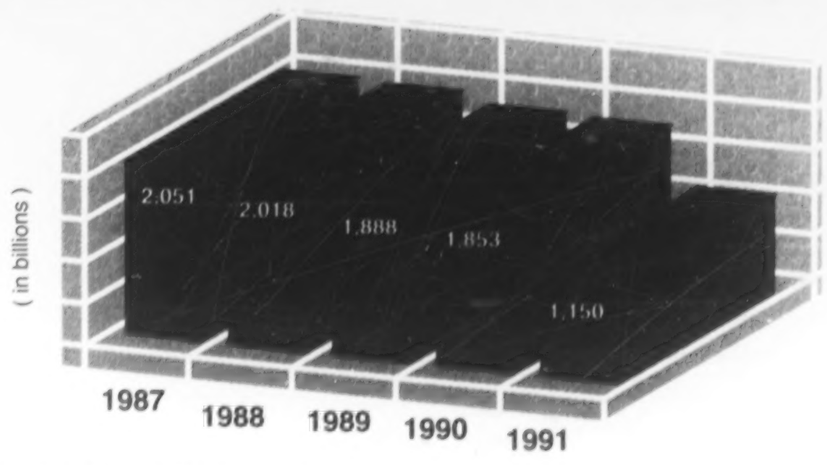
Revco at a glance

Company name: Revco D.S.
Headquarters: Twinsburg, Ohio.
Officers: Boake A. Sells, chairman and ceo; D. Dwayne Hoven, executive vp marketing and stores; Greg Raven, executive vp-finance/cfo.
Sales: $1.9 billion.
Store count: 1,150.
Store size: 9,000 square feet (8,450 selling).
Markets: Nine contiguous eastern and southeastern states.
Highlights: Company's own plan of financial reorganization approved by bankruptcy court and creditors; store operations break into the black; Dwayne Hoven assumes marketing role with departure of former executive vp Jim Adamson; POS and PAL systems installed chainwide; same-store sales show strong gains.

Revco sales trends

FY ended May 30,1991 Source: Company reports

Revco downsizes



FY ended May 30,1991 Source: Company reports

CVS builds greater presence as it vacates California

WOONSOCKET, R.I.— CVS spent 1991 strengthening its East Coast presence. The chain acquired more stores in existing markets and worked to integrate its Peoples stores into the CVS network. It also exited California after determining that its 85-store cluster didn't have enough market share.

CVS is concentrating on the markets it knows best. The 1,258-store chain posted 1991 sales of $3.40 billion, a 36 percent increase over 1990's sales.

Bringing Peoples and CVS together administratively was a major focus of 1991. Peoples' headquarters became a regional office and all major support functions moved to CVS headquarters.

Of the approximately 350 stores CVS continued to operate after closing some and selling some properties to Revco, Kerr and Thrift, 86 stores had been remodeled to CVS formats by the end of 1991. It plans to remodel an additional 100 Peoples stores by the end of fiscal 1992.

Under the remodels, pharmacies were reformatted with low counters, 72-inch-high fixtures were replaced with 60-inch gondolas, sloped shelving in OTC categories was introduced to the stores and cosmetics departments were overhauled and furnished with mirrored walls.

The CVS mark was also put on the checkout counter. Long, low racks of impulse candy items are now found merchandised at the scattered checkout counters. Seasonal and general merchandise selections were pared down to a minimum.

Remodeling was one thing, but integration proved a tougher task. "It was a challenge to truly integrate Peoples. We became 50 percent larger overnight," said Harvey Rosenthal, president and ceo.

Peoples' distribution center, which had been known as a problem facility, is finally being converted to the CVS style of operating and is running more efficiently, according to Rosenthal.

The chain also focused on integrating the 23-store Rix Dunnington chain it purchased in 1990. By the end of 1991, CVS had remodeled every Rix store.

At the beginning of 1992, CVS strengthened its profile in New England with the purchase of the 29-store Thayer Pharmacies chain. The Thayer stores, located in greater Boston and southeastern Massachusetts, filled gaps in a trading area where the chain already has its largest concentration of stores.

While CVS strengthened its presence in the East, it departed the West Coast market early this year with the sale of 85 drug and HBA stores to American Stores. The divestiture marked the end of a decade-long effort to build market share on the West Coast.

When the agreement to sell was announced, Rosenthal told *Drug Store News:* "CVS has been in Southern California for quite a long time, but without acquisitions it was difficult to build a big enough market share to be competitive."

Although he expressed mixed feelings about leaving a market where "people worked very hard for a long time," Rosenthal said the divestiture would enable the chain to focus its resources in the East.

He said that CVS plans 46 store openings in 1992; all of those will be in the chain's current operating area, which spans the East Coast from Maine to Virginia and crosses to Michigan.

CVS, well regarded for its operations, focused on technological advances as well in 1991. POS scanning had been installed in 300 stores at the end of the 1991 fiscal year, a 50-percent increase over the number of stores equipped with the systems one year earlier. Rosenthal said he expected that by the end of 1992, the chain would be well into a rollout of POS scanning chainwide.

By the end of this year, CVS will also install satellite dishes in each of its locations. This year, it's also planning to update its pharmacy computers.

Not the least of CVS' challenges in 1991 was keeping same store sales growing despite a sluggish New England economy that has been moving down the coast. About 90 percent of CVS stores operate in a 600-mile stretch of geography that's been hardest hit by the economy.

Said Rosenthal: "This recession has had an especially large impact on the Northeast. It's been devastating to consumers psychologically as well as economically. It reinforces the fact that our industry may be recession resistant, but not recession proof. For CVS, it means working even harder to maintain our market share."

CVS's banner is more prominent in New England and mid-Atlantic markets as the chain renames and integrates acquired stores from Peoples, Thayer and Rix Dunnington.

'It was a challenge to truly integrate Peoples. We became 50 percent larger overnight.'

Rosenthal

Bringing Peoples and CVS together administratively was a major focus of 1991. Peoples' headquarters became a regional office and all major support functions moved to CVS headquarters.

CVS at a glance

Company name: Consumer Value Stores.
Headquarters: Woonsocket, R.I.
Parent: Melville Corp.
Officers: Stanley Goldstein, chairman ceo and president, Melville Corp.; Harvey Rosenthal, president and ceo, CVS.
Sales: $3.40 billion.
Store count: 1,258.
Store size: 8,000 square feet (6,500 square feet selling).
Markets: Northeast and Mid-Atlantic from Maine to Virginia; Ohio and Michigan.
Highlights: Acquired 29-store Thayer Pharmacies chain in Massachusetts; departed West Coast market with sale of 85 drug and HBA stores to American Stores; continued integration of 1990 aquisitons (Peoples Stores in Mid-Atlantic and Rix Dunnington in Massachusetts and Rhode Island).

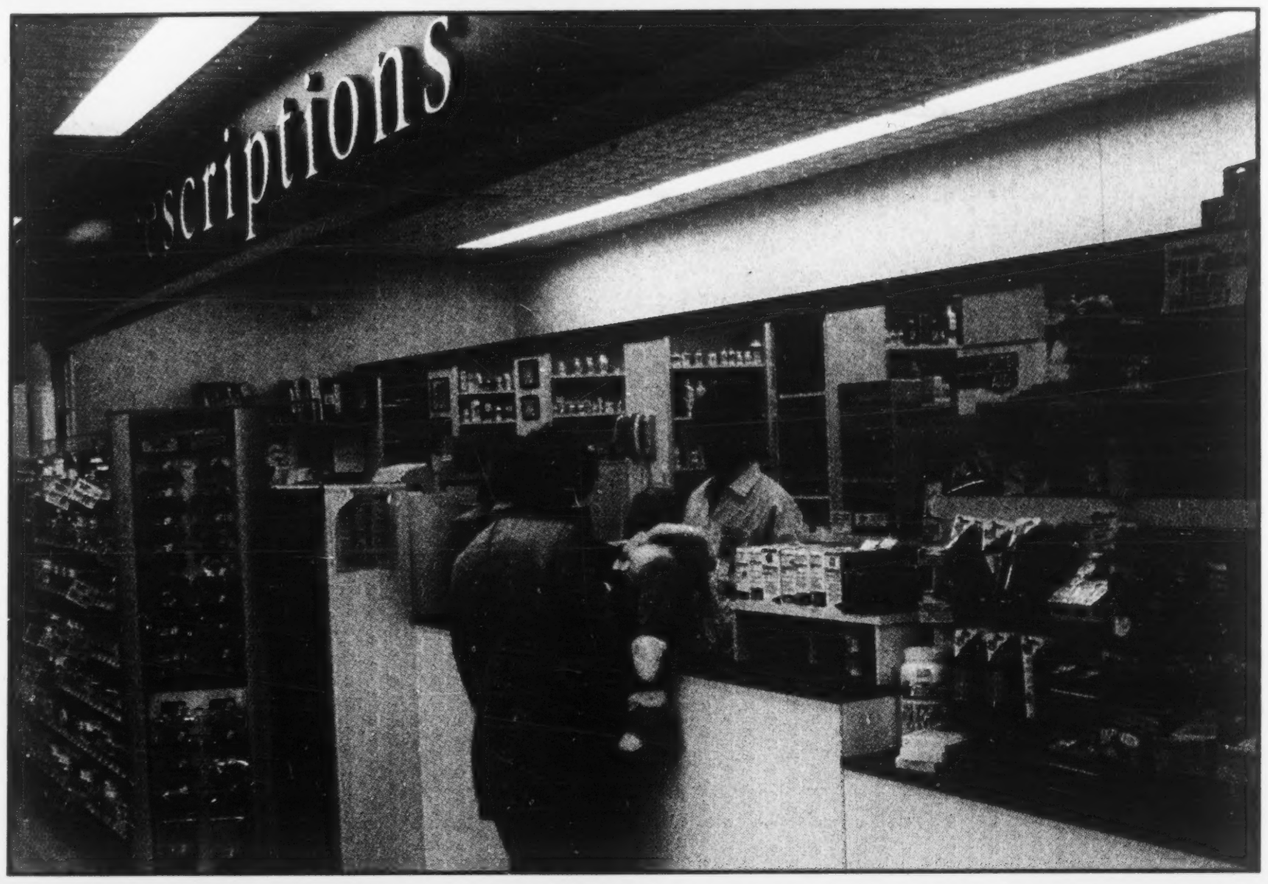
CVS sales leap

* Includes sales of Peoples from Sept. 17, 1990 but excludes assets held for sale. FY ended Dec.31 1991 Source: Company reports.

Rite Aid throttles back growth, but sales-earnings engine roars

Rite Aid focused inwardly in 1991, following its acquisition boom of recent years in which it added more than 700 stores to its vast network.

It made no major purchases, although it engaged in a bidding war for several weeks this winter with Eckerd over Revco. Rite Aid withdrew, however, in January, refusing to raise the ante once the stakes reached uneconomical heights. At the time, Rite Aid spokesperson Suzanne Mead told *Drug Store News* that "return to shareholders would be below expectations" at the proposed price level.



The revamped pharmacy department in Rite Aid's prototype includes a consultation area and counter space for often-recommended items.

Revenues, earnings, sales up

Rite Aid's top management has proven that they are savvy assessors of business. And their own results reflect this. Corporate revenues for the fiscal year ended Feb. 29 advanced 8.7 percent to $3.75 billion from $3.44 billion in the prior year. Earnings rose 15.6 percent to $124 million from $107.3 million a year earlier.

Same-store sales for the drug stores climbed 7.1 percent in the fiscal year, a bit behind last year's 7.3 percent advance. Chairman and ceo Alex Grass cited "a rate of lowering in prices of prescription products and the weak economy."

The chain closed the year on Feb. 29 with 2,452 stores operating in 22 states; only 80 of those stores were new openings. The chain closed 48 locations last year.

Prototype defined

With major acquisitions and absorption behind it, Rite Aid is focused on improving its current operations.

A big part of the program is a new larger store format bowed in early 1992. At 8,000 square-foot store, it has widened aisles and extra footage for merchandise—particularly food bought on promotion.

Rite Aid futher expanded the food inventory it already doubled one year ago. "Food is a product that's consumed at a fast pace so it produces good incremental sales. It also has an identifiable price," said Grass.

Price and promotion became the operable words. The chain's sharper price focus and attention to customer value was evident at the chain in promotional aisles where merchandise was displayed in cut-case fashion.

Private label plays a big part in the chain's price image. Said vp-merchandising Jerry Cardinale: "Sales of private label often exceed sales of the leading national brand."

Toys, housewares, trial sizes and candy were three high margin merchandise areas expanded at the chain. The chain also tested a one-dollar section in its prototype store, and it intends to add the section to 1,000 additional locations this year.

The pharmacy department had a facelift, including the addition of a patient consultation area, which will be added to all new stores and remodels, according to Alex Schamroth, executive vp of pharmacy operations.

The chain also focused on grabbing a bigger share of third party business. The chain named Joel Feldman, formerly Rite Aid's assistant vp of third party sales, to be vp of managed care services.

High-tech improvements

To ease the flow of third-party transactions, Rite Aid brought its on-line adjudication up to 42 percent of claims and upgraded its pharmacy information systems.

It brought its number of stores equipped with POS scanning equipment up to 600. A chainwide rollout of POS side scanning equipment is planned within the next 12 months.

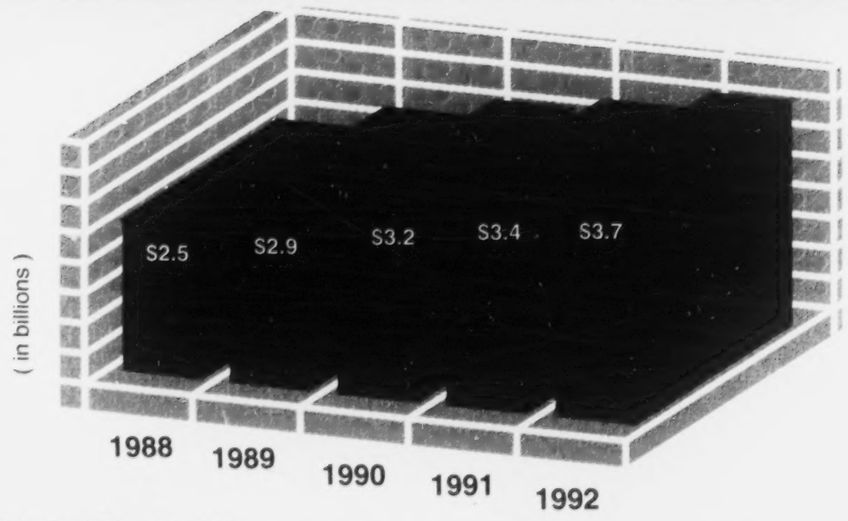
Automatic replenishment systems were tested in 20 locations as the chain worked at tightening inventory controls.

Rite Aid plans to add 24 locations in 1992 with a refocus on freestanding stores and an increase in metro area strongholds.

Rite Aid at a glance

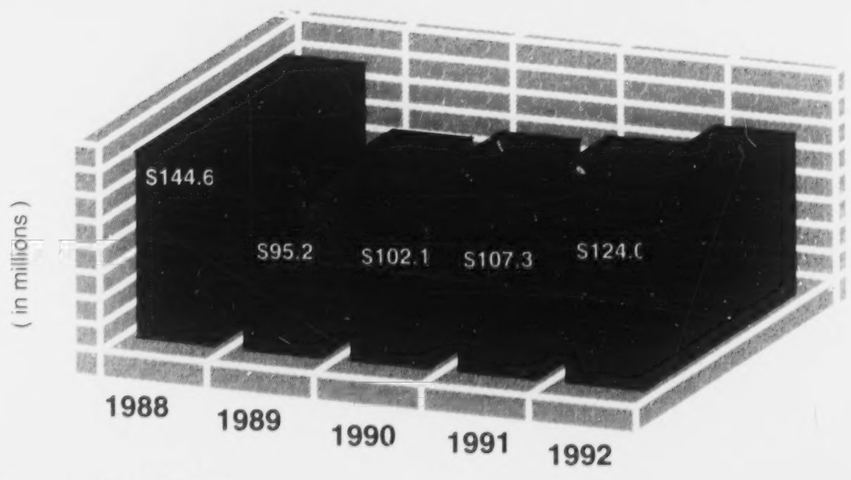
Company name: Rite Aid Corporation.
Headquarters: Shiremanstown, Pa.
Officers: Alex Grass, chairman and ceo; Martin Grass, president and chief operating officer.
Sales: $3.75 billion (drug segment $3.53 billion).
Store count: 2,452.
Store size: 6,700 square feet (5,800 selling).
Markets: 22 states.
Highlights: Development of prototype store; greater focus on price image.

Rite Aid sales rise



FY ended Feb. 29, 1992
Source: Rite Aid

Rite Aid earnings gain



FY ended Feb. 29, 1992
Source: Rite Aid

PayLess at a glance

Company name: PayLess Drug Stores.
Headquarters: Wilsonville, Ore.
Officers: Tim McAlear, president/ceo; Dave Jessick, senior vp/cfo.
Sales: $1.89 billion.
Store count: 401.
Store size: 36,000 (26,000 selling space).
Markets: 10 Western states.
Highlights: Acquired 52 Osco stores as part of 20 percent climb in store count; split chain into two marketing regions with California separate from nine other states.

PayLess doubles down with brisk growth, upfront Rx

WILSONVILLE, Ore. — PayLess played fast in 1991's slow economy with an aggressive 25 percent increase in stores, a new regional structure to optimize its California market, and a drive to win new customers with highly visible upfront pharmacy placement. Following an active expansion program over the past six years, PayLess has doubled its penetration since 1985 to reach 401 stores in 10 western states with around half of the stores in California.

The chain added 80 stores, including 52 Oscos, in 1991 and plans to open 42 more this year, mainly in northern California, Rocky Mountain states and the Pacific Northwest.

The Kmart subsidiary showed strong performance with a net income rise of 18.9 percent on sales of $1.89 billion for the fiscal year ended Jan. 29, up from $1.64 billion in 1990, for an expansion-driven sales increase of 15.2 percent and with same store sales increasing 2.7 percent.

After acquiring 52 Osco stores in Colorado, Wyoming and Utah in 1991, PayLess split the chain into two marketing zones earlier this year. Nine states comprise one zone with California as a separate zone or region, enabling the chain to focus on California's unique consumer demands while merchandising effort is concentrated on other Western states separately. A third distribution center in Utah, scheduled for completion in 1993, will provide added support for stores outside the Pacific states.

Payless is upgrading as well as expanding. Since introducing its REX award-winning 45 degree floor design, which enhances the visibility of core departments, 27 sites have been remodeled to reflect the format. Six more remodels are planned for 1992, with an estimated 95 percent of new stores conforming to the 45 degree format as space allows.

PayLess is also courting customers with convenience, a good demographic bet as the large baby boom group ages. Most new and remodeled stores are positioning pharmacy near the entrance with comfortable waiting areas and convenient rest rooms. Since pharmacy customers are sometimes unwell, the upfront pharmacy signals that PayLess won't make them walk farther than necessary to fill a prescription. As with most chains, pharmacy is an increasing percentage of sales, growing from 18 percent of sales in 1990 to 21 percent in 1991.

The PayLess acquisition strategy reflects a drop in new shopping center construction. To pursue both fill-in and new market expansion, the chain is modifying its usual store lease program to include purchase of existing store sites, such as the recent purchase of three Vons.

It's a FACTT

You can help defeat cancer.

Freeman Cosmetic Corporation is proudly sponsoring
the fourth annual Freeman Aces Cancer Tennis Tournament.

Donations will help develop an immunotherapy laboratory
at USC/NORRIS COMPREHENSIVE CANCER CENTER

Honorary Chairman, John Robinson,
Dinner Chairman, Bob La Ferriere, Thrifty

The event will be held Saturday May 16, 2:30 p.m.
at the Beverly Hills Country Club in Los Angeles, California

FREEMAN ACES CANCER TENNIS TOURNAMENT
FACTT

Send your tax deductable donations to: FACTT
P.O. Box 4074 Beverly Hills, CA 90213-4074

Here's your invitation to help.

☐ I'd like to play.. . . . . Contribution $250
☐ I'd like to co-sponsor. . . . . Minimum contribution $2500.
☐ I'd like to help. Here's my check for $ _____

NAME: _____
ADDRESS: _____
CITY: _____ STATE: _____ ZIP: _____
PHONE: _____

Players will be contacted by tournament committee.

For more information please contact: Jill Slavin at Freeman, (310) 470-6840 or Bill Watson at USC, (213) 342-1088

Freeman thanks Drug Store News for their contribution of this space.

The **only** cold sore treatment with **sunscreens. [SPF=10]**
Herpecin-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Phar-Mor at a glance

Company name: Phar-Mor, Inc.
Headquarters: Youngstown, Ohio.
Officers: Michael Monus, president; Joel Arnold, senior vp-operations; Joe Pingue, senior vp-marketing; James Teichman, senior vp.
Sales: $2.86 billion (calendar 1991).
Store count: 250 at FY-end June 30, 1991; 294 projected by June 30, 1992.
Store size: 65,000 square feet.
Markets: 33 states coast to coast.
Highlights: Entered six new states and major markets like Dallas/Fort Worth; neared $3 billion in sales; secured new financing; named Jeff Walley vp-finance.

Phar-Mor cuts back . . .to light speed

YOUNGSTOWN, Ohio — Few may have noticed, but Phar-Mor Inc. has scaled back slightly on its explosive growth strategy. The deep discount drug giant, which doubled its store count to 200 stores between 1988 and 1990, is now opening "only" between 50 and 60 stores a year.

To its competitors, that may seem cold comfort—like slightly downgrading Hurricane Hugo to a major tropical storm. They're still dealing with gale-force winds.

One addition/week

That's because Phar-Mor is still cracking along at an average pace of one new store every week, each of which extends the chain's message of "Power Buying" and everyday discounts up to 50 percent off.

What's more, the chain is now coast-to-coast in its reach, with 292 stores in 33 states and 60 more units planned over the next year. And it continues to stalk major new markets as it does its best to fill in existing ones, despite a gloomy environment for retail development.

In the past three months alone, Phar-Mor has opened in two new major markets, Dallas/Fort Worth and Salt Lake City. It has begun scouting sites in the Washington, D.C.-area of northern Virginia. It is preparing to add its second and third stores in the key Detroit metropolitan region as it builds presence in Flint/Saginaw and other Michigan markets. Recently entered states like New Jersey are also getting more stores in the near future, as is San Antonio, Texas.

Out west, meanwhile, Phar-Mor is fleshing out its two-store entry into California last year, with new stores set for Fresno and Colton, a town east of Los Angeles in the desert near Palm Springs.

6 new states in '91

These plans come atop an eventful year for the chain in 1991. Over the past year, the off-pricer pushed into six new states—New York, Delaware, Kansas, Arkansas, Utah and California—and leased a distribution center in Aurora, Colo. to support its expanding Western presence. It built on its recent incursion into other western states, including Arizona, and it added to market strongholds like Florida.

Faced with the drying up of retail development and the need to maintain its torrid growth pace, Phar-Mor has gone to its banks or the capital markets three times in the last year for more expansion funding. Last June, the company sold a $200 million stake to an affiliate of Lazard, Freres & Co. In October, Phar-Mor sold another $112 million in equity through a private stock placement. And in late March, the company secured new financing through its lending banks by boosting its revolving credit to $600 million and placing $155 million in senior debt. The funds will ease expansion during the current real estate crunch.

"To remain competitive with other national retailers that are expanding across the country, we decided that Phar-Mor needed to have the financial capacity to develop sites," said president Mickey Monus.

Get Ready For
Another Smashing Success.
It's batting a thousand with collectors, critics and cash registers. Now the Leaf Set is ready to step up to the plate and extend its unprecedented winning streak into the 1992 selling season with these exciting new features:
• Action-packed card fronts capture the maximum impact of baseball's most dynamic plays and stars. Redesigned silver metallic border enhances upscale appeal. Card backs feature larger photos and new counterfeit-evident logo treatment.
• Randomly inserted Gold Leaf Rookies subset honors 24 of 1992's most promising newcomers with full-bleed photos and gold foil highlights.
• The Leaf Gold Edition—New for '92. A complete 528 card version of the 1992 Leaf Set featuring gold metallic ink and gold foil highlights instead of the traditional silver. Issued one card per pack, the Leaf Gold Edition is destined to be the collecting prize of the year.

Two sunscreens give "maximal protection"! [SPF=10]
Herpecin-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Expanded POS scanning recharges Longs' strategy

WALNUT CREEK, Calif. — Longs Drug Stores took up arms in the face of increasing competition in its primary California and western markets in 1991, vying for share with expansion-driven PayLess and Walgreen and site-heavy rivals Sav-on and Thrifty.

The chain deployed POS scanners in 44 of its 266 stores—up from six in 1990—and plans installation of another 109-plus units this year. The rollout provides Longs with a retail information system slated to beef up its decentralized store management strategy.

Longs store managers price according to the local market, meeting competition on value item pricing but also looking for opportunities to price for better margin when the market allows. Managers are responsible for ordering and are authorized to seek alternative redistribution sources as well.

Explaining how the POS system supports store autonomy, William Combs, vp-administration and corporate relations, noted that it allows store managers to continually monitor their retail prices to insure that the goods are appropriately priced. Compared with POS systems in many other chains, noted Combs, "we're using it a different way, but we'll be able to get many of the advantages that come through large purchases."

In the 1991 fourth calendar quarter, the 44-store group was on the IBM 4680 system for the full period, reportedly resulting in benefits in gross margins and some labor savings. Aided by gains from the POS system, said Combs, "we are optimistic that we will see improved earnings later in the year."

Longs year-end earnings report cited a 7.1 percent decline in net income for the fiscal year ended January 30, 1992 (vs. a 2.7 percent drop in the prior year), although the figures were dimmed by a unfavorable comparison due to an extra week in the previous fiscal year. The company noted that except for the one week variance, fourth quarter sales and income would have surpassed the same period of the previous year. Sales edged up 1.4 percent (vs. a 10.6 percent rise the previous year) to $2,365,916 from $2,333,767, impacted by a recessionary economic climate as well as the change from a 53-week to a 52-week reporting period.

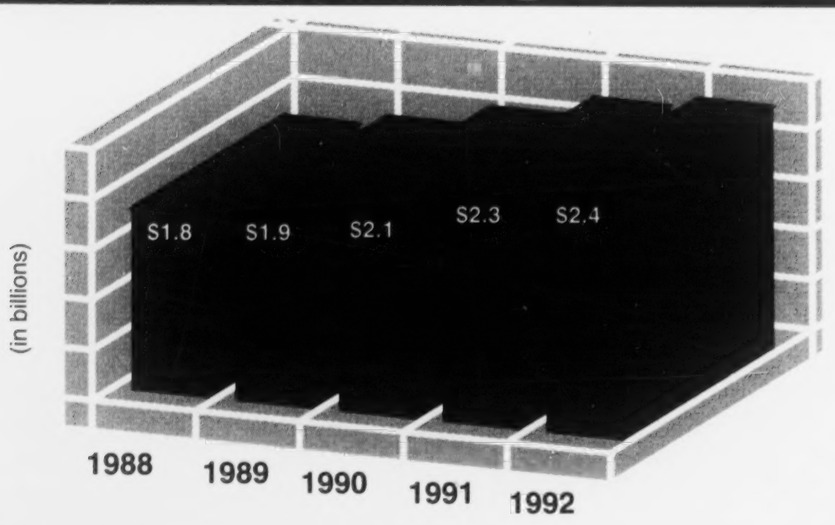
The chain's remodeling program, although not intended as a dramatic image statement, resulted in upgrading and freshening of around 20 percent of the chain in 1991. Some remodeling projects were part of the chain's policy of continually upgrading while avoiding the cost of deferred maintenance, according to Combs. Other projects focused on some pharmacy reconfiguration to accommodate patient counseling and increasing volume. Pharmacy as a percentage of sales increased over two percent last year, from 23.6 percent to 25.9 percent, of which around 50 percent is in third-party programs.

Eight new stores were added and three underperforming stores closed during 1991. The chain eliminated one small distribution center last year, reducing the total to four DCs. Currently, Longs has three stores under construction and plans a total of six to eight new stores for the current fiscal year.

Longs at a glance

Company name: Longs Drug Stores.
Headquarters: Walnut Creek, Calif.
Officers: Bob Long, chairman/ceo; Steven Roath, president/chief operating officer.
Sales: $2.37 billion.
Store count: 266.
Store size: 24,000 square feet (selling 15,800).
Markets: California, Hawaii, Colorado, Nevada, Alaska, Arizona.
Highlights: POS scanning increased from six stores to 44, with 109 more slated for 1992. 50-plus stores upgraded in 1991, with projects planned for 50 more stores in 1992.

Longs sales growth



FY ended Jan. 30, 1992. Source: Company reports.

Thrifty sells units, juggles execs for turnaround

LOS ANGELES — Thrifty Drug Stores faced 1992 under the gun, as holding company Pacific Enterprises gave the management team of the 624-store chain a year to effect a turnaround while PE hunts for buyers of Thrifty Corp.'s five other retail units.

Citing a 1991 operating loss of $53 million for its retail drug, discount and sporting goods companies plus a $110 million loss provision for sale of retail units, PE hung the for-sale sign on Thrifty Corp.'s more profitable retail segments, including the Pacific Northwest Pay 'n Save Drug chain, which posted sales of $547.1 million, up from $527.6 million the previous year.

PE retained loss-ridden Thrifty Drug—which posted year-end sales of $1.81 billion, down from $1.82 billion—with a turnaround mandate to make the chain more saleable. After opening 15 new stores and closing around the same number in 1991, Thrifty Drug ended the fiscal year with same-store sales increases of 2.4 percent, compared to 2.1 percent in 1990.

By the end of 1991, Thrifty completed its POS scan rollout, which is expected to benefit the chain in increased margin and reduced inventory loss in 1992. In its annual report, Pacific Enterprises noted that Thrifty Drug is projected to reduce its operating losses but to incur a loss for the total year. The annual report stated: "If Thrifty Drug fails to make satisfactory progress in implementing its turnaround strategy, Pacific Enterprises will reevaluate its support for the program."

The mandatory turnaround year will be tough, as 580 of Thrifty's stores are in California, which continues to be hit by waves of layoffs in defense and other industries. Thrifty faces strong competitors like well-entrenched Longs Drug and PayLess, which is snapping up sites in the West, as is Walgreen and Sav-on, with its recent acquisition of California CVS stores.

Thrifty Corp. recast its executive roster in three sharp bursts during 1991 and early 1992, starting with the appointment of former Southern California Lucky Stores president William E. Yingling III, who joined Thrifty Corp. mid-year as chairman and ceo.

Yingling's management style collided with Thrifty Drug president Eve Rich, according to Thrifty sources. In October, former apparel exec Rich resigned after an 11-month tenure marked by sweeping management changes. Management shakeouts under Rich preceded a new sweep in the fall as Yingling brought in four executives with backgrounds at Lucky Stores, Rite Aid, Macy's and recruited veteran Thrifty buying vp Robert LaFerriere, who departed in March 1992.

Four months after Yingling revamped Thrifty Drug's executive suite, Pacific Enterprises made a surprise move in March 1992, apparently intended to accelerate Thrifty's turnaround. Joseph Coulombe, entrepreneur and founder of the successful 27-store Trader Joe's chain of gourmet markets, was appointed co-chairman of Thrifty Corp., with president-/ceo Yingling reporting to Coulombe.

In its initial launch under Rich, Thrifty Drug's new prototype featured front-of-store with a new traffic flow and graphics to highlight core departments and what Thrifty dubbed "destination worlds." Unlike the chain's 1970s-style earth-tone decor, the prototype combined wider aisles and a backdrop of white floors and walls, along with striking color-coded department signing for a bright, open look.

Although around 41 Thrifty stores were remodeled in 1991, the prototype has remained in a test phase as the chain reevaluates ways to reach its market. Thrifty's strategy for 1992 is to improve store appearance with "facelifts" scheduled for 350 locations.

While Rich's approach emphasized female shoppers, Yingling told *Drug Store News* early this year: "We believe that the markets we serve are very heterogeneous. Whether you look at profiles in terms of ethnic, age, income or psychographics, there isn't one particular format that meets one need." Thrifty plans to focus on more localized sales and merchandising efforts, but to what extent this will modify the Thrifty prototype and merchandising strategy remains to be seen.

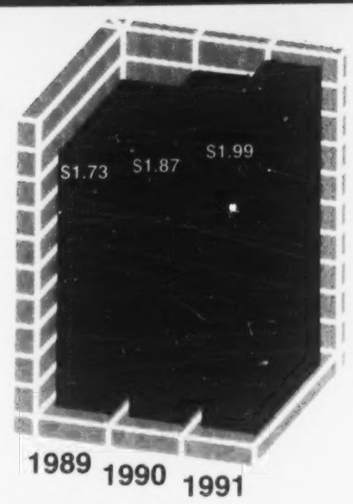
Thrifty's ad campaign, launched in February 1992, promotes the neighborhood drug store concept and the chain's half-century history with cautious messages like "Thrifty. . .bringing it home," or as Yingling said: "For now we're relying on trusted things we know we can deliver."

Thrifty at a glance

Company name: Thrifty Corporation.
Headquarters: Los Angeles.
Parent: Pacific Enterprises.
Officers: Joseph H. Coulombe, co-chairman; Daniel A. Seigel, president and chief operating officer; William E. Yingling, ceo and co-chairman, president Thrifty Drug.
Sales: $3.25 billion.
Store count: 1,053 including 551 Thrifty Drug Stores and 69 Thrifty Juniors, 124 Pay 'n Save, 42 Bi-Mart drug and discount, 267 sporting goods stores. (Includes $2.36 billion in drug store sales including Thrifty, Thrifty Jr. and Pay 'n Save, virtually even with the prior year volume.)
Store size: Thrifty Drug 19,000 square feet (16,000 selling space).
Markets: Alaska, California, Hawaii, Idaho, Nevada, Arizona, Washington, Oregon.
Highlights: Revamped Thrifty Drug management team with personnel changes in most key positions; parent Pacific Enterprises to sell five retail units excluding Thrifty Drug; new prototype launched for ongoing test and modification; completion of POS rollout.

Tailored mix and formats keep HSI competitive

HSI sales grow



FY ended Aug.31,1991
Source: Company reports.

CINCINNATI — For Hook-SupeRx Inc., 1991 was a year marked by experiments in merchandising and new store formats.

The company posted sales of $1.99 billion in its fiscal year ended Aug. 31, a 6.7 percent gain over the $1.87 billion rung up in the prior year. Same-store sales gains accounted for about 5.7 percentage points of the growth, with new stores making up the rest.

Sustaining that growth may not be easy, given the soft economy in the Northeast and increasing competition in many of HSI's markets.

That softness caused HSI to scrutinize its merchandising strategies. Gayl Doster, Brooks president, told *Drug Store News*: "We've started to focus on individual stores and look at micromarketing to tailor each store to a specific market. We have to act like a loose confederation of independents."

Former approach improved

Doster said that the cookie-cutter approach his division had historically used is being replaced with modifications to the merchandise mix.

The division remodeled 42 sites in 1991 to its new format. The prototype, for which the chain won a 1991 *Drug Store News* Retail Excellence Award (REX), features additional space and recessed lighting in the center aisle and greater emphasis on cosmetics and pharmacy.

The Brooks division has also identified photofinishing as one area of opportunity. In addition, HSI's SupeRx division added photofinishing departments to five sites in 1991. The move came one year after HSI sold its photo processing equipment to Colorcraft and hired Qualex to do its processing.

Cost cutting

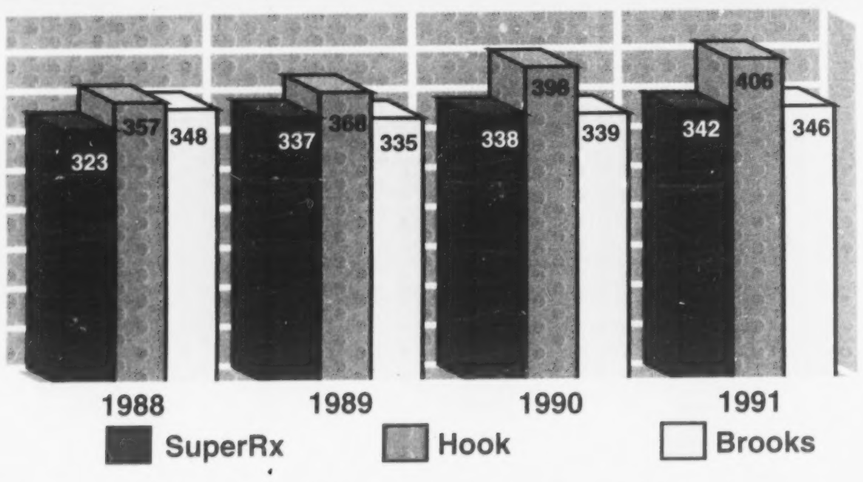
Across all divisions of HSI, cost-cutting efforts led to a reduction in SG&A costs as a percentage of sales to 22.8 percent from 23.4 percent a year earlier.

Pharmacy grew as a percentage of total HSI sales in 1991 to 46 percent from 43 percent a year earlier. HSI expects its continued pursuit of new customer segments and increased sales to third-party payers to fuel further prescription growth.

In FY 1991, about 43 percent of the total prescription sales were filled under third party.

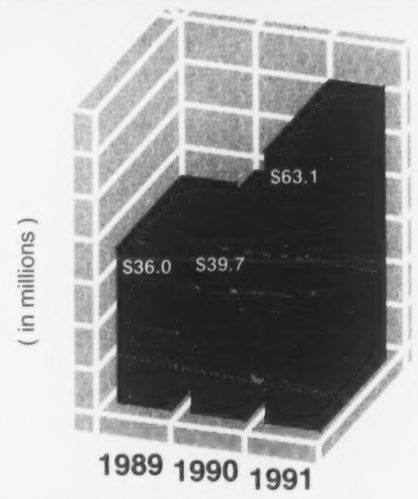
HSI's SupeRx Deep Discount Drug Stores, which operate as 13 Drug World and Warehouse Drugs stores, accounted for 3.2 percent of HSI sales. The division added two sites in 1991. Store openings for the Brooks, Hook and SupeRx divisions remained steady.

Hook store counts stabilize



*HSI also has 32 home healthcare centers and 13 deep discount stores.
FY ended Aug. 31, 1991. Source: Company reports.

HSI cash flow rises



FY ended Aug.31,1991
Source:Company Reports

Hook-SupeRx Inc. at a glance

Company name: Hook-SupeRx, Inc.
Headquarters: Cincinnati.
Officers: Philip Beekman, chairman; Thomas Stilgenbauer, president, SuperRx division; Russell Mesalam, president, Hook division; Gayl Doster, president, Brooks division.
Sales: $1.99 billion.
Store count: 1,107 drug stores, including 346 Brooks, 406 Hook, 341 SupeRx, 32 Hook Home Health Care Centers and 13 SupeRx Deep Discount Drug Stores (Drug World and Warehouse Drugs).
Average store size: Brooks—6,800 square feet (5,200 selling space); Hook—7,900 square feet (6,800 selling space); SupeRx 10,800 square feet (8,500 selling space); SupeRx Deep Discount—21,000 square feet.
Markets: 22 states in Midwest, South and Northeast.
Highlights: Accelerated efforts in targeted marketing; rollout of REX-winning Brooks prototype.

Cost controls drive Genovese 20% profit hike

MELVILLE, N.Y. — Record sales and earnings in fiscal 1992 underscored how Genovese and its Great American division are thriving despite depressed economic conditions in its primary trading area.

Sales for the fiscal year ended Jan. 31 edged up 3.5 percent to $447.2 million from $432.0 million a year ago—a modest uptick that can be attributed to a hard-hit local economy and intense competition in the New York metro area.

But stringent cost controls at the chain lifted net income by 20.8 percent to a record $6.7 million from $5.5 million a year earlier. Those gains were made in spite of a $615,000 settlement of litigation with the State of New York that was charged to the fourth quarter.

DC program gives boost

A year-long program to lower product acquisition costs and improve productivity in the distribution center and at store level is credited with giving a boost to the bottom line.

The chain also went green to cut costs. An energy-saving lighting system replaced four 60-watt bulbs with two bulbs and reflectors in nine sites, enabling Genovese to reduce its utility bills by eight percent. Eying savings that could total $1 million per year, the chain is planning to convert 30 additional sites in '92.

Core categories a plus

Core categories helped the Long Island-based chain flex its merchandise muscle. Pharmacy sales continued to increase as a percentage of Genovese's business, rising to 31.9 percent of total sales volume from 29.6 percent a year earlier.

Photofinishing volume increased 30 percent over the prior year, thanks largely to the installation of nine one-hour mini-labs, an emphasis on quality, frequent promotions, and the creation of a frequent buyer program, in which customers get a roll processed free after paying for development of 10 rolls.

Rather than cannibalize Genovese's own in-house professional labs, the mini-labs have complemented the chain's business.

Cautious openings

The chain remained cautious when opening new stores; only two Genovese locations and two Great American deep discount stores were added in '91. Genovese ended its fiscal year with 94 Genovese and four Great American sites. The chain plans six to seven new store openings this year.

Although that pace slowed, Genovese made advances on other fronts, including eight remodels. It also stressed the installation of POS scanning, ending the year with 21 stores equipped, up from eight the year before.

"We continued to roll out POS scanning using the IBM 4680 series," said Allan Patrick, executive vp. "We are adding scanners at the rate of one every two weeks. At the end of this year, we expect to have 50 to 55 sites equipped with POS scanning."

The chain spent 1991 working on EDI. "We have about 20 major suppliers live on EDI with Genovese for order placement," said Patrick. "Another 30 are being tested."

A year-long program to lower product acquisition costs and improve productivity in the DC and at store level is credited with giving a boost to the bottom line.

Genovese at a glance

Name: Genovese Drug Stores.
Headquarters: Melville, N.Y.
Officers: Leonard Genovese, chairman and president; Herb Kett, vice chairman.
Sales: $447.2 million.
Store count: 94 Genovese drug stores, 4 Great American deep discount drug stores, plus Living Color Photofinishing store and plant.
Store size: 12,000 square feet.
Markets: New York, New Jersey, Connecticut.
Highlights: Two additional Great American locations added, double-digit growth in photofinishing; acceleration of POS scanning program.

SDM sales, earnings up despite tough Canadian market

Shoppers Drug Mart responded to the inhospitable economic environment with aggressive marketing and advertising, and protected its market share.

TORONTO — Shoppers Drug Mart/Pharmaprix, Canada's leading drug store group with 32 percent of industry sales, recorded solid gains in sales and operating earnings in a frigid Canadian market.

Canadian retailers faced a weak economy, a decline in consumer confidence and a new Goods and Services Tax that went into effect early in 1991. Retailers found that implementation of the tax drove consumers over the border to hunt for bargains in the U.S.

Shoppers Drug Mart responded to the inhospitable economic environment with aggressive marketing and advertising, and managed to protect its market share and promote consumer traffic. Throughout the chain's 671 stores, 250 million transactions were recorded in 1991.

SDM's "Thanks a Billion" promotion offered customers savings on hundreds of everyday items and weekly specials. And a new "Customers are Really Everything" program offered employee incentives for good service.

And some stores expanded their hours. By fiscal year-end on Dec. 31, 1991, seven locations were open 24 hours and 50 others open until midnight.

Retail postal outlets were added to 75 sites, raising that total to 100 stores. Canada Trust banking machines were added to a number of locations, and food item sections were served up in 41 sites. SDM launched Shoppers Drug Mart Express Photo, a one-hour photo service, in nine stores. The chain intends to expand the department to more sites in 1992.

A tight rein on costs and smart buying helped the chain attain 5 percent same-store sales gains. SDM posted sales of $2.93 billion in 1991 compared with $2.84 billion in 1990.

Prescription sales led growth, with a 12 percent increase in comparable store sales. The chain cemented its public image as a provider of health care information in 1991 by associating with the Canadian Breast Cancer Foundation. In November, SDM distributed 600,000 information cards describing the correct method of breast examination.

Private label continued to grow at the chain. Sales of Shoppers Drug Mart, Life Brand and Rialto brand products accounted for 7 percent of sales. In 1992, SDM will convert the Shoppers Drug Mart line to Life Brand labeling, a move the company says is due to high consumer confidence in the latter line.

Cosmetics, already a strong category for SDM, will benefit from upgraded in-house cosmetician programs and the debut of a training program for SDM cosmetics salespeople.

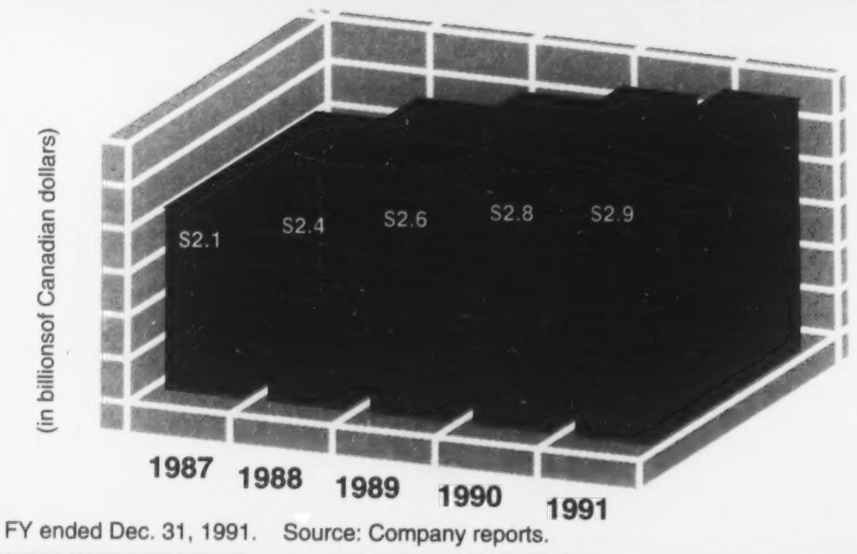
SDM added 26 stores in 1991 and expects to add a similar number in 1992.

Growth is particularly strong in Quebec, where Pharmaprix ended the year with 62 stores. The company's 19 Home Health Care Centres continue to grow in number and importance.

Shoppers Drug Mart at a glance

Name: Shoppers Drug Mart/Pharmaprix.
Headquarters: Toronto, Canada.
Officers: David Bloom, chairman and ceo; Herb Binder, president and coo.
Sales (systemwide): $2.93 billion (Canadian dollars).
Store count: 671 stores.
Store size: 7,500 square feet (5,660 selling).
Highlights: Set new strategies to overcome impact of new tax; greater emphasis on customer service and convenience; tighter cost controls.

Shoppers Drug Mart systemwide sales



FY ended Dec. 31, 1991. Source: Company reports.

Arbor opens spigot with planned 20-store expansion

TROY, Mich. — Buoyed by a steady stream of record-setting results and its growing reputation for rewarding investors and lenders, Arbor Drugs has pulled out the stops on its growth strategy.

The 29-year-old drug chain is already halfway along with a planned 20-store expansion this year, up from 14 new openings in fiscal 1991. That growth will all come in Michigan, which remains home to all 122 Arbor drug stores, and the chain remains optimistic that the southern half of the state will provide enough growth site opportunities to sustain momentum for several more years.

Arbor's tight geographic focus is one reason why the chain can hold down its operating costs and produce such a profitable store revenue stream. All units are within an easy drive of its single, 233,600-square-foot distribution center, which is automated and enlarged to support the growing store base. Arbor's chairman, Eugene Applebaum, says the chain will eventually move outside its home state, preferably through an acquisition in a nearby market, but the chain seems in no hurry to do that.

Instead, Arbor continues to boost its same-store results and earnings by staying highly disciplined and focused on its core business and its customer needs. Notes the company's last annual report, "To achieve operational excellence, Arbor maintains higher staffing levels at its stores than the industry average. In an era when customers are being asked to shop without assistance, Arbor stands out as a customer-focused store."

Nevertheless, payroll costs are consistently lower than the industry average, says the company.

This service approach is complemented by separate management structures for stores and pharmacies, the company noted, and by an ongoing, aggressive store remodeling program. The chain remodels its stores every five years—a key factor, it says, in its steady growth in sales per square foot to $449 last year vs. $369 five years previous.

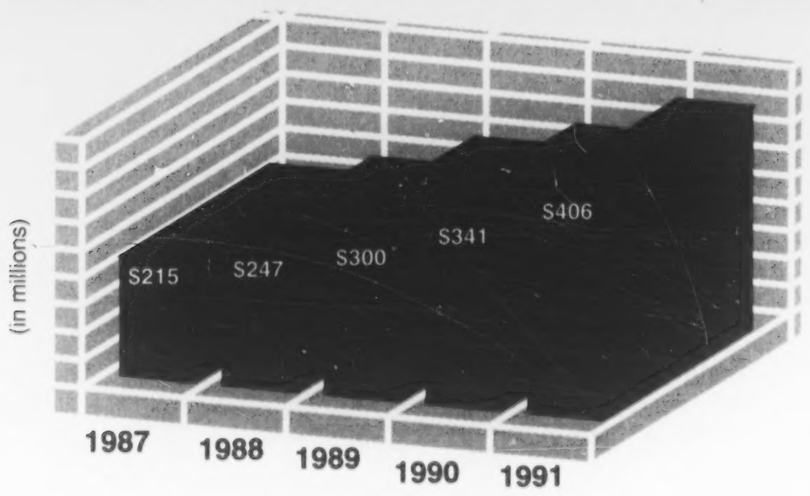
Arbor also invests heavily in higher productivity through automation. Last fall, the chain completed chain-wide installation of POS scanning systems in all stores, joining a handful of drug chains with total POS.

"Technology has played and will continue to have a pivotal role in our ability to achieve significant operating efficiencies, enhancing Arbor's ability to provide the prompt service our customers have come to expect," Applebaum said.

The chain's efforts continue to pay off in its results. Arbor notched an 18.6 percent increase in net earnings in fiscal 1991, and in the first six months of the new fiscal year its earnings have shot up 23.8 percent to $8.4 million. Same-store gains are equally impressive: 8.4 percent for the six months ended Jan. 31, 1992. Pharmacy sales have risen to about 45 percent of total revenues, and Arbor now claims 26.2 percent of the metro Detroit drug store market.

Wall Street continues to applaud the company's success. Shearson Lehman Brothers recently joined a growing number of investment firms that have added the chain to its "Buy" list for "consistent earnings growth," and Arbor remains a consistent favorite among those who track the nation's best-managed regional companies. Applebaum himself added another to his own list of plaudits, receiving the annual silver honoree award in March from *The Wall Street Transcript*.

Arbor sales increase



FY ended July 31, 1991. Source: Company reports.

Arbor Drugs at a glance

Company name: Arbor Drugs, Inc.
Headquarters: Troy, Mich.
Officers: Eugene Applebaum, chairman/ceo; Markus "Max" Ernst, executive vp/chief operating officer; Donald Stutrud, senior vp-store operations.
Sales: $405.9 million (fiscal 1991).
Store count: 112 at FY-end July 31, 1991; 122 as of April, 1992.
Store size: 10,800 (8,300 selling).
Markets: Michigan (primarily southeastern).
Highlights: Growing expansion rate, record results, chainwide POS.

Record earnings, Carls buy boost Fay's results

LIVERPOOL, N.Y. — Fay's cemented its presence in the New York market and added New Hampshire and Vermont to its area of operation with the puchase of the 48-unit Carls Drugs in April 1991.

Fay's continues to operate 43 of those sites. Integrating the former Rome, N.Y.-based Carls proved a smooth task, according to Fay's president and chief operating officer Daniel O'Leary.

Carls/Fay's similarities

"The stores had a similar merchandise mix and were similar in size, although Fay's had more depth in seasonal and general merchandise," O'Leary said.

Most stores will get minor facelifts this year, although some will get major remodels.

"The real estate was in good condition in most of the stores and no major remerchandising was needed," he said.

Also acquired was a one-hour photo processing lab in one Carls location, which O'Leary said is profitable and has the chain planning additional sites in 1992.

Promotions, core categories

Fay's fiscal year came in like a lion, with its record first quarter. That gain was largely due to its stepped up marketing program begun at the end of 1990, when it shifted its advertising strategy to more circulars and less ROP newspaper ads.

"Last year, we concentrated on the productivity of our ad dollars," said O'Leary. "We concentrated on major advertising pieces with a good balance of merchandise and a focus on value and ran them more frequently." One result: store traffic was up.

By the third quarter, below-target sales in seasonal and general merchandise put a drag on profits. Said O'Leary: "Consumer a nose dive. The economy was dismal in October."

Still, pharmacy and traditional drug store merchandise sales held up well and helped the chain post sales gains for the quarter of over 17 percent. Prescription sales accounted for over 35 percent of Fay's total drug store sales for the year. That percentage was up slightly over last year's prescription percentage.

Lawsuit: earnings cut. . .

Fay's portion of a settlement of a lawsuit by the State of New York that affected almost every chain operating in New York was charged against Fay's third quarter and cut into earnings. Net earnings for that quarter fell to $4.5 million, compared with $5.0 million the previous year.

. . .but gains in sales

The chain still posted year-end sales at $836.2 million, a healthy 24.3 percent over last year's $672.6 annual sales figure. Overall store gross margins held fairly steady at 29.4 percent.

With the litigation behind it, Fay's is poised to take advantage of economies of scale that the Carls purchase provides, putting the chain closer toward its goal of operating 280 drug stores and reaping $1 billion in sales by 1994.

Last year was also Fay's first year with O'Leary officially at the helm as president and chief operating officer. His former post as executive vp, in which he was in charge of virtually all departments other than store operations, merchandising and marketing, was eliminated in November 1990.

More exec positions

Some of those duties are now overseen by others, who report directly to O'Leary. James Poole, Jr., vp of finance and cfo, was given responsibility for store planning and construction, market research and MIS.

Consumer affairs, real estate and loss prevention now report to Warren Wolfson, senior vp and general counsel.

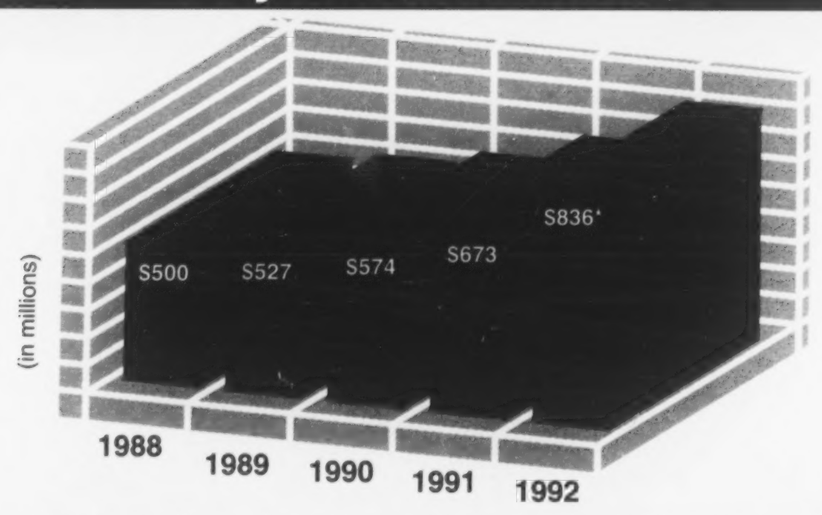
At the end of the fiscal year, Fay's operated 252 stores in five states. The greatest share of stores (over 200) are located in New York, and 38 stores are in Pennsylvania. The chain operates two stores in both New Jersey and Vermont and one in New Hampshire. It plans 19 store openings in 1992.

Technology was a focus for the chain in 1991, with POS scanning in 172 stores by the end of 1991—a 45 percent climb in a year. Equipping all Carls locations with POS scanning is a goal in 1992.

Fay's at a glance

Company name: Fay's, Inc.
Headquarters: Liverpool, N.Y.
Officers: Henry Panasci, Jr., chairman/ceo; Daniel O'Leary, president/chief operating officer.
Sales: $836.2 million.
Store count: 252 drug stores, 28 Wheels discount auto parts stores, 33 Paper Cutter discount office and party supplies stores.
Store size: 13,200 square feet (10,600 selling space).
Markets: New York, Pennsylvania, New Jersey, Vermont, New Hampshire.
Highlights: Acquisition of 48-unit Carls Drug Stores.

Fay's sales climb



FY ended Jan. 25, 1992. *Results include drug stores, Wheels and Paper Cutter units.
Source: Company reports.

Most stores will get minor facelifts this year, although some will get major remodels.

F&M expands into New England and builds strength

WARREN, Mich. — For F&M Distributors, the industry's pioneering deep discounter, 1991 was another year of milestones. The 37-year-old company cracked the New England region for the first time, swept by the 100-store mark and hit $700 million in sales.

Considering the fact that the chain consisted of a single, 9,000-square-foot store until 1977, those achievements look all the more impressive.

F&M ended fiscal 1991 on Jan. 31, 1992 with 107 off-price stores, up from 92 the previous year. Sixty-four of those stores have pharmacies, and a surprising 55 include one-hour, on-site photo labs. F&M stores also include fully staffed cosmetics counters and a merchandise mix that is heavy on name-brand HBA and household products.

Despite the fact that its stores are considerably smaller and more tightly focused in their merchandise mix than are some of its off-price competitors, averaging 17,000 square feet of selling space, F&M racks up enviable per-store sales averages of more than $6.5 million.

Success without advertising

What's more, the stores function largely without the benefit of advertising or sales promotions. Word-of-mouth is still the rule, as laid down by president and chief executive Frank Newman.

Last September, the chain brought its potent blend of everyday low prices and deep HBA selection to the New England region.

Enters the Boston area

F&M made its first incursion in Brockton, Mass., just south of Boston. It quickly followed up with store openings in other metropolitan Boston towns, including Natick, with plans in the works this year for additional units in nearby towns like Braintree, Saugus, Somerville and North Attleboro.

In January, Newman said the chain was pleased with the early performance of its first Boston-area stores. "If we're doing as well as we are right now with the New England economy the way it is, we should be in very good shape when things pick up," he said.

The move into Massachusetts extended F&M's reach into nine states in the North Central, Mid-Atlantic and Northeastern regions of the country. It also underscored the chain's ability to successfully target some of the nation's biggest metropolitan areas and go where population is dense and income levels are high enough to support the chain's brand of stock-up retailing.

Along those lines, the deep discounter continues to fill in stores in its other major markets, including Chicago, Detroit, Minneapolis/St. Paul, Washington, D.C./Baltimore and Milwaukee.

On tap this year: another 15 stores, according to Newman.

Management appointments

To support its growing reach, F&M continues to add depth to its senior and mid-level management.

Major appointments over the past year include: Earl Weissert, executive vp of store operations, traffic and distribution and pharmacy; Matthew Keller, senior vp of merchandising; Timothy Gower to regional vp of store operations in Michigan, Ohio and Eastern markets; and Michael Micallef, regional vp in charge of the western group of stores in Illinois, Indiana, Minnesota and Wisconsin.

F&M at a glance

Company name: F&M Distributors
Headquarters: Warren, Mich.
Officers: Frank Newman, president/ceo; Earl Weissert, executive vp-store operations/distribution/pharmacy; Laura Kendall, vp-central operations/cfo; Michael Micallef, vp-store operations.
Sales: $700 million.
Store count: 107.
Store size: 25,000 square feet (17,000 selling space).
Markets: North Central, Midwestern, Mid-Atlantic, New England.
Highlights: Surpassed 100-store mark with 15 new stores; entered Boston market; strengthened management team.

Reinvented Perry notches performance turnaround

PONTIAC, Mich. — Perry Drug Stores has come through a watershed year. In the midst of sweeping management changes, the chain nevertheless regained its earnings momentum and posted convincing evidence that its turnaround is real.

Reversing a $6.2 million loss the previous year, the company racked up $3.1 million in net earnings in fiscal 1991 despite a one-time, $2.5 million charge against earnings related to the settlement of a four-year-old lawsuit stemming from the sale of its auto parts division. Same-store sales were also up substantially, rising 3.4 percent for the year and 8.3 percent for the final quarter.

The first quarter of fiscal '92 looks even better, with earnings jumping 75 percent to $2.5 million and same-store results up more than 11 percent in a weak economy. Meanwhile, Perry continues to lower its SG&A costs as a percentage of sales and strengthen its balance sheet by paying down debt.

The improvements came despite a series of major management changes last year. In August, president and chief operating officer Dave Schwartz resigned to take the helm at Smitty's, a 24-store food and combo chain in Phoenix. Schwartz, a veteran of Skaggs, Albertson's and Kroger Co., had been lured to Perry in June, 1987 by chairman and ceo Jack Robinson to help engineer the company's turnaround and renewed focus on core drug store operations.

Schwartz' departure was soon followed by that of vp of marketing and merchandising David Green, who had come in as part of Schwartz' hand-picked hires at Perry and who followed his boss to Smitty's.

By that time, however, Robinson, Schwartz and other Perry managers had laid the groundwork for renewal.

Restructuring

Robinson took over as president and ceo and began staffing up. He and the board promoted 16-year veteran Andy Giancamilli to the key post of senior vp of store operations. Senior vp, general counsel and secretary Bob Berlow took on human resources and real estate, as well. Stephen Lund, a 15-year Perry veteran, was named vp of merchandising in line with a department reorganization aimed at making the buying and merchandising process more responsive to consumer demands and shifting market conditions.

Other staff-ups included the appointment of vp and cfo Jerry Stone to the board of directors; Warren Jeffery to regional vp for metro Detroit; Robert Sarvas to vp of pharmacy operations; and Tim McAleece to regional vp in charge of outlying Michigan markets.

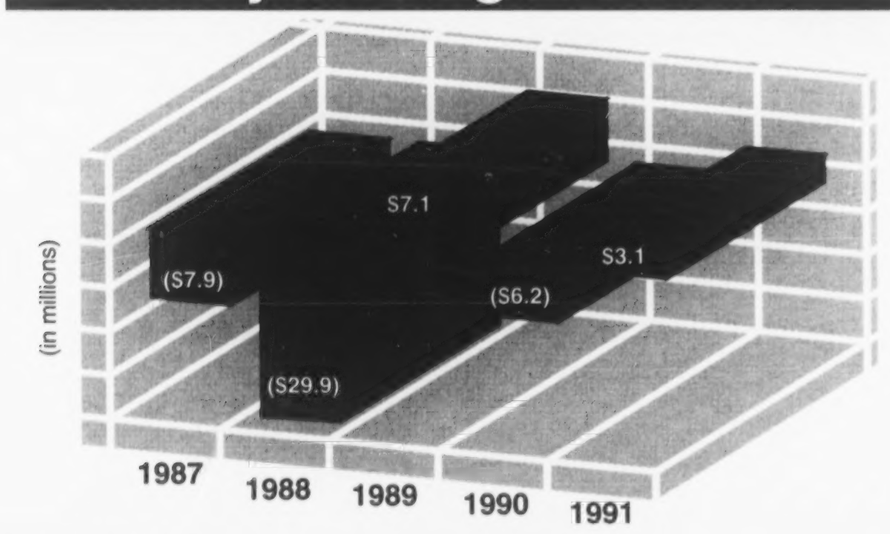
The staff changes were only part of the story. The chain also underwent major changes in its geographic structure, pulling out of all outlying markets and completing a four-year shift away from non-core operations to focus on its profitable, core Michigan drug store operation. It sold off the bulk of its Chicago stores to chain drug veteran Fred Barney and other investors last October and exited Milwaukee. It also sold the last components of its health care division, applying the funds to pay down debt and lower interest payments.

Perry also extended its "Store of the '90s" remodeling program to another 25 stores last year and is nearing chain-wide rollout of the new format. The chain also boosted the number of 24-hour stores in the state to 47, and completed integration of the former Revco units bought a year earlier.

This year, Perry will convert another 25 stores to its prototype and add gradually to its base of 212 drug stores. It's also nearing the end of a test of POS scanners for a planned rollout.

Robinson summed up the changes at Perry at the chain's annual shareholders' meeting in March: "We. . . ultimately reinvented Perry."

Perry earnings rebound



FY ended Oct. 31, 1991. Source: Company reports.

Perry at a glance

Company name: Perry Drug Stores.
Headquarters: Pontiac, Mich.
Officers: Jack Robinson, chairman, ceo and president; Andy Giancamilli, senior vp-store operations; Robert Berlow, senior vp-general counsel/secretary.
Sales: $640.8 million.
Store count: 212 at FY-end 10/31/91; 209 currently.
Store size: 10,540 square feet (8,200 selling space).
Markets: Michigan.
Highlights: Restored earnings turnaround; revamped management team and structure; shed non-core operations and markets; launched new ad themes; boosted pharmacy sales 26 percent.

A freer Thrift acts to bolster market share

PITTSBURGH — Thrift Drug gained a greater measure of freedom to act on its own last year, and the 541-store chain moved quickly to take advantage of its newfound independence.

Parent company J.C. Penney changed Thrift's status from an operating division of Penney to a separate, wholly-owned subsidiary last summer. That marked a major change in Thrift's status, allowing the drug chain to dictate far more of its own policies and agenda.

Thrift president Bob Hannan praised the move, which gave Thrift its own board of directors and authority for its own budget, saying, "We must take action and risks in many business areas in a stand-alone mode."

The chain didn't wait long to begin taking those "actions and risks." In Atlanta, it pushed hard to shore up market share and image for its Treasury Drugs division, which incorporates a common private label theme with Thrift.

Earlier this year, Thrift took a bold step in its home market to boost its already strong leadership role. With plenty of marketing hoopla, it launched a free, storewide home delivery service for virtually all Pittsburgh-area customers.

The service, which offers free delivery to home or office of any order worth more than $10, is the largest, most comprehensive such program offered by the chain drug industry. It includes not only prescription drugs, but also any of the 25,000 items found in the store.

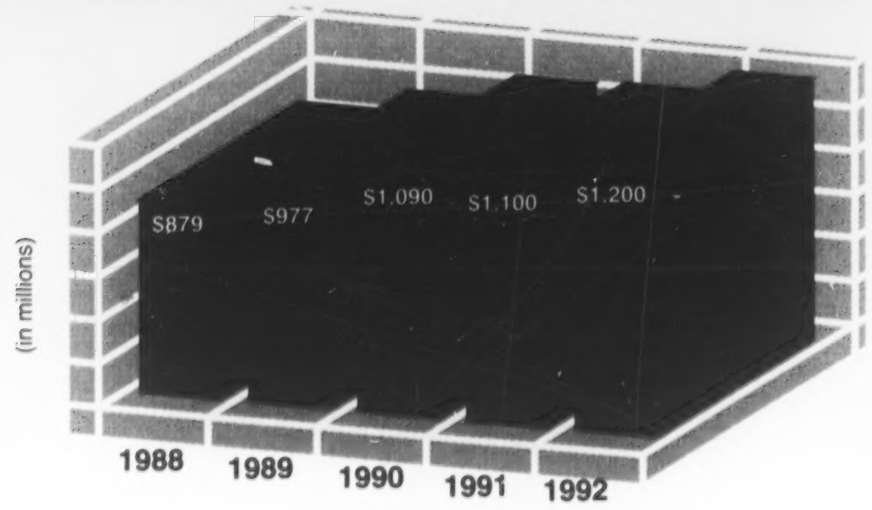
Thrift's regional vp Dennis Cuff said the chain would probably extend the service to other markets after watching results in Pittsburgh. "We think this will create a new niche for us," Cuff said in March.

Earlier last year, Thrift had already taken a major step to shore up its strength in western Pennsylvania with the purchase of 31 Health Mart stores from CVS. Thrift kept 26 of the stores open and also purchased the assets of a 50,000-square-foot warehouse in Uniontown, Pa.

It also added to its retail arsenal last year with the development of an additional format to wedge into some of its upscale markets. It makes use of boutique-style department settings for bath items, natural foods and other product groupings, with roomy interiors and striking graphics and signage.

Sadly, 1991 also marked the death of James Armor, former Thrift Drug president. Armor, who was 65, had steered Thrift into a major Eastern and Southern retail force with more than 500 stores in 17 states during his tenure.

Thrift sales edge up



FY ended Jan 25, 1992. Source: Company reports.

Thrift at a glance

Company name: Thrift Drug.
Headquarters: Pittsburgh.
Officers: Robert Hannan, president; Tony Civello, executive vp-operations.
Sales: $1.2 billion (drug segment, $920 million).
Store count: 541.
Store size: 9,600 square feet (7,500 selling space).
Markets: 18 states.
Highlights: Gained more autonomy as a wholly owned subsidiary of J.C. Penney; launched a home delivery service in Pittsburgh; developed an additional format for upscale markets; James Armor, former president, died at the age of 65.

Big B at a glance

Company name: Big B.
Headquarters: Bessemer, Ala.
Officers: Joseph Bruno, chairman; Anthony Bruno, president.
Sales: $487.8 million. **Store count:** 301.
Store size: Big B, 9,000 square feet; Drugs for Less, 20,000 square feet.
Markets: Alabama, Georgia, Tenn., Florida, Miss.
Highlights: Posted record 4th quarter earnings and reduced debt by $21.7 million.

Profits, optimism buoy Big B

BESSEMER, Ala. — Big B is poised for store additions in 1992 after spending more than two years to lower the hefty debt service from its takeover of Reed Drug in 1989.

Expectations are high for the 301-store drug chain following record sales and earnings during its recently ended fourth quarter.

After closing seven unprofitable stores this past year, plans call for eight to 10 stores to open in the second half of 1992 and perhaps an additional 10 to 15 stores per year thereafter. The expansion has been made possible because the chain reduced its debt and eliminated operational problems.

"Big B is in a very positive situation now," said Steve Huffines, research director at the Birmingham-based brokerage of Stern, Agee & Leach.

Plants feet on ground

The drug chain is now almost fully recovered from its 1989 acquisition of 85 stores in Georgia from Reed Drug Company. The buyout led to consolidation and conversion problems at the same time Big B was trying to cope with the pressures of the highly competitive Atlanta market. The leveraged acquisition also saddled Big B with hefty debt service payments that have only recently begun to come down.

Another large debt payment is due in July, according to Napoleon Overton, an analyst with Morgan Keegan & Co., who noted Big B "has five consecutive quarters of solid progress following its troubles in mid-1990."

Net sales increased to $487 million in the fiscal year ended Feb. 2, 1992 from $463 million in 1991. Sales are estimated to increase to $514 million in 1993 and $550 million in 1994.

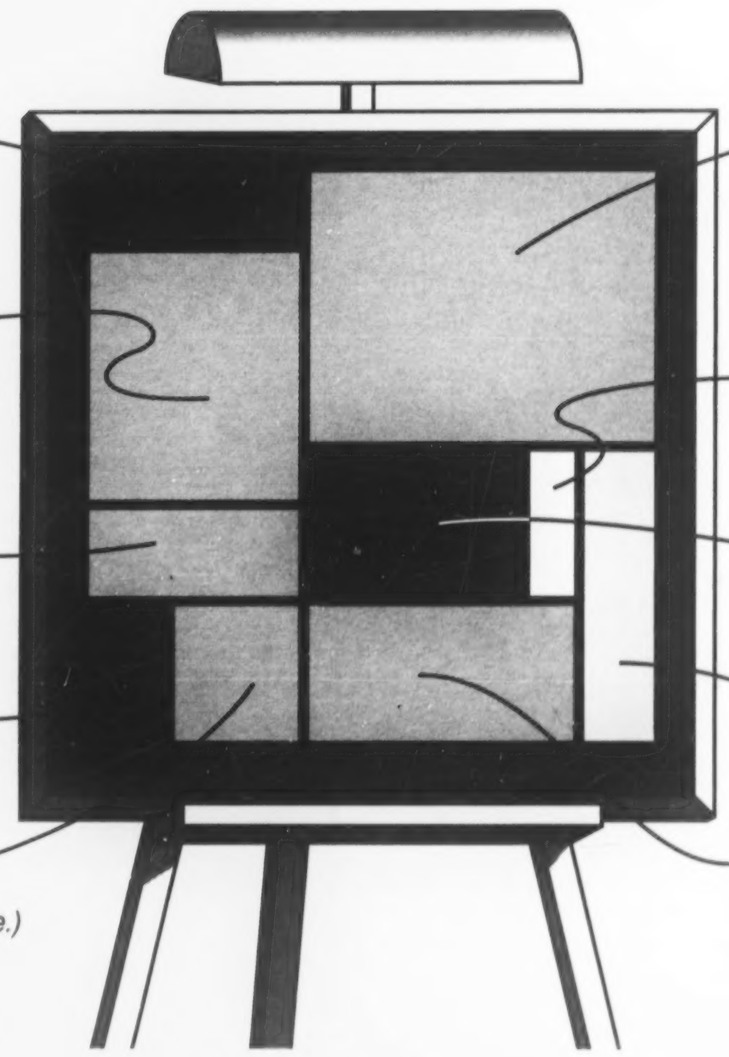
In the meantime, Big B's annual interest expenses will decline. After spending $7.3 million on debt service in 1991 and another $5.5 million in 1992, debt service drops to $3.5 million in 1993 and $3 million in 1994.

"Fiscal 1993 earnings are expected to reach all-time record levels of $1.15 per share, which would be a substantial 34 percent increase over fiscal 1992's strong results," Overton said.

With earnings up and debt service down, Big B will have more cash available for building, acquiring and remodeling stores. Five stores are slated for remodeling in the coming year and all store pharmacies will be fully computerized.

Pharmacy sales accounted for a larger part of the chain's total sales: about 47 percent in the latest year compared with 45 percent a year earlier.

The Art Of Space Management



Planogramming
(Largest, most experienced staff of planogram specialists worldwide.)

Category Management
(Merchandising philosophy analysis, retail presentation and business review consulting.)

Field Merchandising
(Field research and re-sets.)

In-Store Data Collection
(Field audits, testing and planogram building.)

Store Design
(Over 4,000 retail projects worldwide.)

Gladson Universal Database
(The core of the space management business. The industry's most comprehensive library of images and dimensions.)

Output and Reprint Service
(Service center supporting in-house space management departments.)

Syndicated Data Service
(ScanTrack®, Towne-Oller)

Seminars and Workshops
(Field and executive staff training.)

Advertorial Service
(Trade advertising with an emphasis on merchandising, planograms and space management.)

The Science Of The SKU

Once a product has been developed, packaged, test-marketed and distributed, a large part of its success is dependent on space management. Years ago, space management was 90% art and 10% science. But today it's the other way around.

Whether you are marketing a new or mature product, the best way to ensure movement at retail is by combining available scientific space management tools with product experience and category knowledge.

For over 20 years we have been providing expert analysis, quick turn-around and strong partnerships with both manufacturers and retailers.

Partnership means greater productivity for companies that have internal space management. Companies that don't have space management, use Gladson to provide sophisticated space management tools, without capital investment.

We have a full palette of services to meet your needs and exceed your expectations. At the core is the most comprehensive product dimension and image database. And the savvy to make it all work for you.

For more information on how Gladson & Associates can be your space management partner, contact Mary Wlodarski, VP Sales at 1-708-810-0090.

Gladson and Associates
Space Management Group
1982 Ohio Street, Lisle, IL 60532
1-708-810-0090

Scantrack® is a registered trademark of A.C. Nielson Company

Screens burning UVB & also **blocks** penetrating UVA rays.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Drug Emporium restructures

COLUMBUS, Ohio — Like many retailers, Drug Emporium has spent the past year running a recessionary gauntlet and getting bruised in the process. But the nation's second-biggest deep discount drug chain has lost little time in trying to right itself.

Drug Emporium was hit with a double whammy in the fiscal year ended Feb. 29. First, the 231-store chain discovered significant errors from an outside service tracking its inventory movement, leading to a sizeable downward adjustment in its gross margin calculations and new rounds of cost-cutting efforts. Second, the recession that was supposed to go away last year didn't. Result: customer traffic slowed, prices and margins were lowered in some markets and earnings dried up.

Thanks in part to a $2.4 million charge for the inventory-error adjustment, as well as a one-time charge resulting from the closing of the five-store Jacksonville, Fla. operation, the company reported a $1.1 million loss in the first nine months of fiscal 1992, ended Nov. 30, 1991. That sobering loss capped a downward trend that began two years ago, following peak earnings of $8.2 million in fiscal 1990.

Company bounces back

But over the past year or more, Drug Emporium's managers have responded with a series of dramatic steps aimed at restoring profits and momentum.

For one thing, the company has taken a hard look at its competitive strategy and market image. It adjusted gross margins in Atlanta and other key markets to find the right balance between high turns and profitability. It largely abandoned new franchise arrangements in its continuing move to corporate-run stores. It installed new store computers and began upgrading its information-gathering capabilities.

Drug Emporium also cut back on store expansion to focus instead on improving sales and profits in existing stores. It focused on merchandising, testing new approaches to cosmetics and fragrances in McLean, Virginia and resetting departments like greeting cards, candy and snacks to take better advantage of deals.

More recently, Drug Emporium has overhauled its entire operations and purchasing system to simplify the field management structure, centralize purchasing functions and make its stores more responsive to consumer trends. As part of that effort, the chain transferred all accounting and marketing efforts to the central office and all buying functions from store level to the regional offices. Beginning March 1, Drug Emporium also consolidated store operations, shifting from 12 regional offices to five.

The centralization should aid the company in its efforts to cut inventory levels in the stores by as much as a quarter of a million dollars. Another goal: raising turns from 3.5 to at least six.

Drug Emporium at a glance

Company name: Drug Emporium.
Headquarters: Columbus, Ohio.
Officers: Phil Wilber, chairman; Gary Wilber, chief executive; Robert Lyons III, president and chief operating officer; Rich Landers, vp-marketing and merchandising.
Sales: $1.5 billion estimated for FY-end Feb. 29, 1992 (figures not released at press time).
Store count: 127 corporate stores, 104 franchised stores.
Markets: Nationwide.
Highlights: Revamped and centralized field operations, purchasing, marketing and accounting; promoted key executives to new posts; slowed expansion in New England and other markets; made moves to boost automation and cut costs and inventory levels.

PROFITS
Vivitar's proven again and again it's your best choice for solid profits, with models like the PS44 — a fast-moving winner.

PRODUCTS
We've got a product for every customer (and every bottom line) from colorful lifestyle and affordable focus-free models to the most sophisticated auto-focus trend-setters.

PRICING
Vivitar's products are priced to move. Choose from plenty of models at every price point for the ideal match-up with your customers' demands and pocketbooks.

PACKAGING
We've got clamshells, kits, blister packs and more. And if you don't see what you want, ask us about customized options!

PROGRAMS
Vivitar backs its line with programs that make it easy and profitable for you to stock the best-selling line in photography.

Vivitar®
Outside California 1-800-421-2381
California 1-800-352-7481

PERFECT!
Value-added products & programs in '92.

©1992 Vivitar Corporation, 9350 DeSoto Avenue, Chatsworth, CA 91311. In Canada: Vivitar Ltd/Ltée, Ontario.

Two sunscreens give "maximal protection"! [SPF=10]
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The newspaper of drug store retailing

May 18, 1992

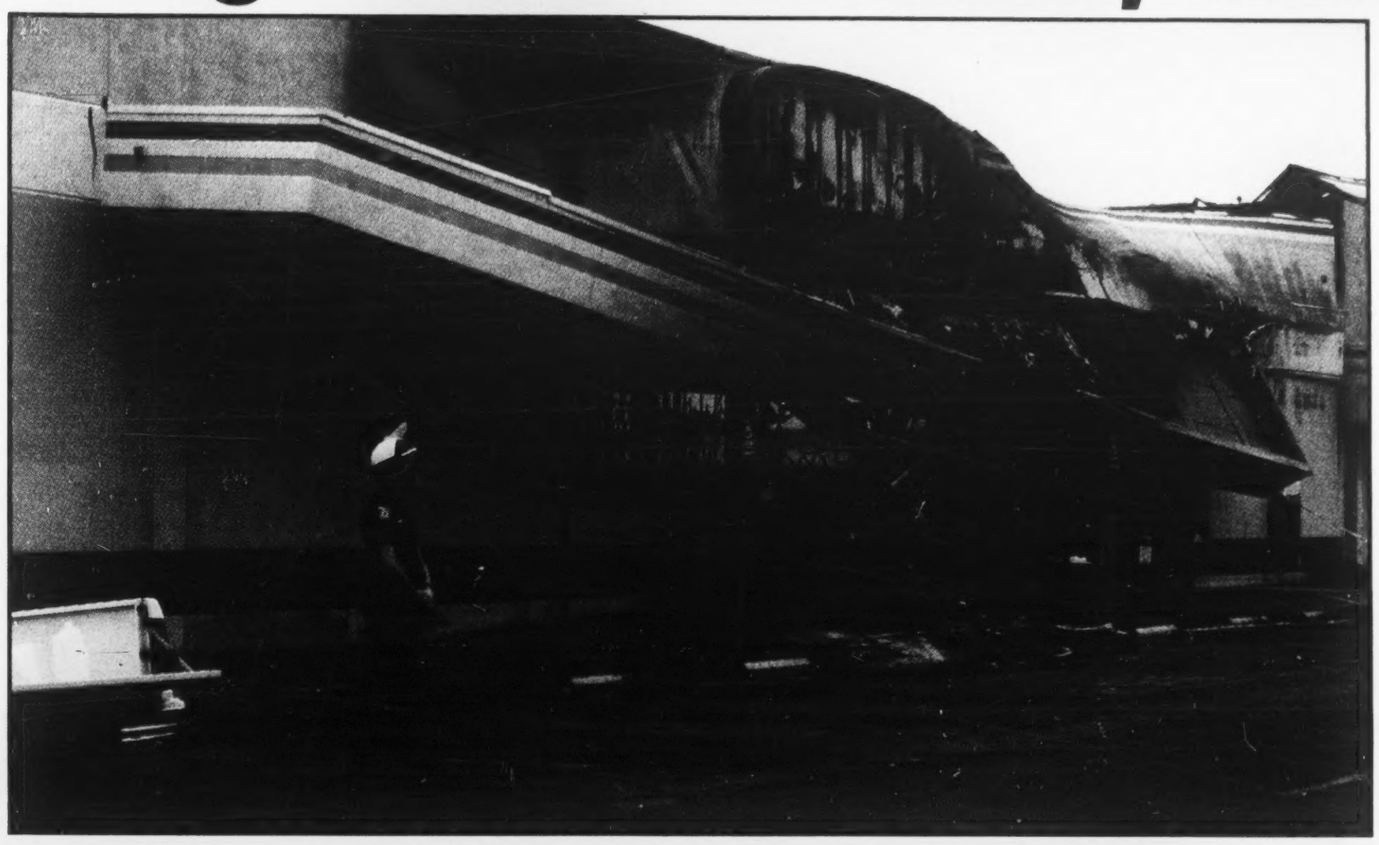
C5150-2

DRUG STORE NEWS

Vol. 14 No. 10

A Lebhar-Friedman publication

Drug chains torched, looted in L.A. rioting



Thrifty Drug Store on L.A.'s Crenshaw Blvd. was torched in the early hours of the rioting, but police and National Guard kept vigil even after damage was done.

Thrifty absorbs biggest loss

By Allene Symons

LOS ANGELES — For three days, L.A. was under siege: flames ravaged buildings, smoke billowed skyward throughout the city, sirens wailed and gunshots rang out. From the first broken glass to the time when police and National Guard, Army and Marines finally reclaimed the city from looters and arsonists, the densely stored drug chains of Southern California suffered repeated blows.

Hardest hit was Thrifty Drug Stores, losing four of its 46 area stores when looters torched the sites after carrying out bags and trunkfuls of goods, a scene repeated thousands of times in businesses around the city.

Embers were still smoldering when the chain counted the heavy toll on this already troubled chain. Beside the four stores completely burned, 19 others were looted. Sav-on Drug lost one store to arsonists and four others were looted. A.D. Clark had one store completely burned, another was torched but saved, while a third was looted. Several stores, including a Thrifty, went up in flames just across the street from one Clark store. Clark's president and ceo, Richard Brombach, told *Drug Store News* that in this location, "Clark was spared—we don't know how—we watched everything burn."

In Southern California, often called "overstored," dozens of

See on page 3

LATE NEWS

• LOS ANGELES – At presstime, Thrifty chairman William Yingling said final negotiations were under way on the sale of Thrifty Corp. units and an announcement was imminent. Parent company Pacific Enterprises said it expected to post a large loss in connection with the sale.

• TWINSBURG, Ohio –Filling a management void, Revco has promoted Clarence Nichols, former regional vp of the Southern Region, to senior vp-store operations. Replacing him as regional vp is Bobby Tamplin.

FEATURES

Teens new angle to boost sales

Chains are focusing on new marketing strategies to entice teens into their stores and boost their bottom line. **Page 13.**

Selection key to reading glasses

Selection and service are bringing the reading glasses category into sharper focus and getting sharper returns for retailers. **Page 36.**

SECOND CLASS

PE poised to sell all Thrifty units

LOS ANGELES — In a strategy reversal, Pacific Enterprises disclosed that in recent weeks it has been involved in discussions to sell Thrifty Drug Stores as well as the other units that comprise its Thrifty Corp. subsidiary. Talks are now under way for the sale of Thrifty Corp. as a single entity.

"The discussions are for the purchase of all of Thrifty Corp., which includes all six of its retail chains," PE spokesperson Tom Sanger told *Drug Store News*. Sanger also said that PE has not excluded the possibility of selling the retail units separately.

This is in contrast with PE's February position, when it announced the decision to divest its retail business but keep Thrifty Drug Stores for a time in order to improve profitability. "We had intended to retain Thrifty Drug Stores and support its turnaround effort, so this is a departure from the original strategic restructuring program," said Sanger.

It appears that the sale of all or part of Thrifty Corp. could wrap up ahead of PE's original timetable, which had the parent company on a soft search for buyers, one expected to take up to 18 months.

On unconfirmed reports

See **PE** *page 41*

Rite Aid to buy Wellby; deal puts chain in Maine

By Barbara White

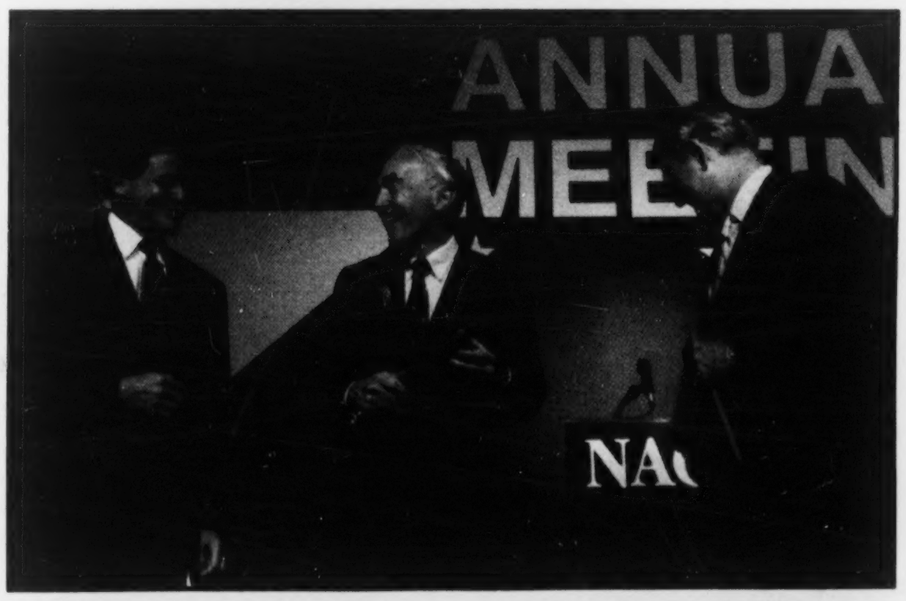
SHIREMANSTOWN, Pa. — Rite Aid has agreed to purchase 34 of Hannaford Bros. Co.'s 41 Wellby Super Drug stores. The purchase will strengthen Rite Aid's presence in the New England market and put the chain into Maine for the first time.

Under the purchase, Rite Aid will add seven stores in New Hampshire, where it already has 12 locations, and 27 stores in Maine. The chain currently operates 2,450 drug stores in 22 Eastern states.

Wellby's average store size (8,500 square feet) and merchandise mix made the stores attractive to Rite Aid, according to spokesperson Carolyn Fray. "The stores have convenient locations and

See **Rite Aid** *page 41*

The gavel passes. . . .



At NACDS' annual meeting in Maui, Phil Beekman, center, outgoing NACDS chairman, presents symbolic gavel to his successor, CVS president Harvey Rosenthal, as the association's president, Ron Ziegler, looks on. The five-day event drew some 2,400 attendees from chain and associate member companies, the largest number ever. Coverage of the meeting can be found on page 6.

NEWS IN BRIEF

PayLess to build new DC in Utah

WILSONVILLE, Ore. — PayLess Drug Stores has selected a site for its third distribution center, a 610,000-square-foot facility to be constructed north of Ogden, Utah. Construction will begin mid-summer; the center is slated to open in late 1993.

The DC will be almost 20 percent larger than its 500,000-square-foot DCs in Wilsonville, Ore. and Woodland, Calif., and when completed will be the largest DC in the state.

Jewel-Osco 74-store sale completed

SALT LAKE CITY, Utah — American Stores Co. announced that it has completed the sale of 74 Jewel-Osco combination food and drug stores and a general merchandise warehouse to Albertsons Inc. for approximately $325 million, net of current liabilities and taxes. Proceeds from the sale will be used to reduce long-term debt, according to the company.

The stores, divested as part of American's strategy of selling underperforming units, are located in Texas, Oklahoma, Arkansas and Florida and the warehouse is in Oklahoma.

Phar-Mor to back U.S. gymnastics

YOUNGSTOWN, Ohio — Phar-Mor has agreed to become the title sponsor of the U.S. Gymnastics Championships in 1992 and 1993. The 293-store off-price chain inked a two-year pact with the U.S. Gymnastics Federation as the exclusive sponsor among drug, off-price, supermarket and video rental retailers.

"Phar-Mor and U.S. gymnastics are a good combination," said chain president Michael Monus. "This is another wholesome, family sport which can produce the audience that Phar-Mor desires. In turn, gymnastics will benefit through our advertising and in-store merchandising programs."

McK's Polastri honored

NEW YORK, N.Y. — Joseph Polastri, president of McKesson Corporation's McKesson Distribution Group division, will be the guest of honor at the Drugs, Cosmetics and Personal Care Division of UJA-Federation of New York's annual dinner. The dinner will be held June 24 at Manhattan's Pierre Hotel.

Polastri

Eckerd makes Burger vp- Express Photo

CLEARWATER, Fla. — Jack Eckerd Corp. has appointed Tim Burger vp of Express Photo. Burger has served as director of Express Photo since 1985. He will report to Ron Koch, Eckerd's vp of photofinishing.

Express Photo was founded in 1983 and has rapidly grown into a 328-location store-within-a-store chain with sales projected to be $75 million for 1992.

Albertsons revamps ad campaign. . .

BOISE, Idaho — Albertsons relaunched its attack on the recession after retreating from its month-long "war on recession" campaign in March. The original ad featured a military theme and reportedly was pulled after evoking negative customer reaction. The supermarket and drug chain recently bounced back in its 17-state market with a gentler recession-minded campaign under the slogan: "We know what you're going through . . . Albertsons. It's your store."

IN THIS ISSUE

FEATURES

NACDS Coverage 6
Bar Soaps 8
Nielsen Highlights 8

HEALTH AND BEAUTY AIDS

Teen Merchandising 13-22
Beauty Beat 22

GENERAL MERCHANDISE

Batteries 26
Home Lighting 33-34
Reading Glasses 36-39

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Finance .....

Phar-Mor eyes profits with new vision care centers

By Mike Troy

Phar-Mor has entered the increasingly competitive discount eye care market with the recent announcement of a six-store pilot program.

The Youngstown, Ohio-based deep discounter and Eye Care Centers of America, Inc. have agreed to an 18-month test of Vision For Less centers at stores in the San Antonio, Texas and Youngstown markets. The 1,500-square-foot centers require store remodeling and will be opening during the next few months.

"We thought that the eye care category would complement the mix of products we currently offer our customers," said Carol Robinson, Phar-Mor's vp for advertising and public relations. "We had been considering the program for about a year and felt that Eye Care Centers offered an opportunity to enter the field in partnership with a company that has a proven track record."

The location of Eye Care Centers within each store will vary from location to location, but all will be accessible from within the Phar-Mor stores, according to Mary Bowman, manager of marketing services with Eye Care Centers.

"We entered into an agreement with Phar-Mor because we were looking for a situation that would allow us to go into an environment where people were already predisposed to getting bargains and power buying," Bowman said. "By placing Vision For Less centers in their stores it allows Phar-Mor to offer more value to customers and gives us access to its existing customer base."

If the test program proves successful it could be expanded prior to the end of the 18-month test period. Discount store giants Wal-Mart and Kmart have been successful with the eye care concept, according to Bowman.

"I have not seen any of their financial information, but I believe they have done quite well with it," Bowman said. "This is a facet of the market that hasn't really been tapped into."

Eye Care Centers of America, Inc., is a wholly owned subsidiary of Sears, Roebuck and Co., which also operates 105 EyeMasters and Binyon's stores in 35 markets. EyeMasters and Binyon's are more upscale stores that offer one-hour service and a wider selection of frame styles, Bowman said.

IRI buys Towne-Oller & Assoc.; combined data a plus for industry

CHICAGO — Information Resources, Inc. has purcased New York-based Towne-Oller & Associates for $12 million.

Under the purchase agreement, Towne-Oller will operate as an independent subsidiary of IRI but will be enhanced by IRI's powerful software which will be applied to Towne-Oller's database.

"We can enhance Towne-Oller's business with technology and capital," IRI chairman Gian Fulgoni told *Drug Store News*.

The end users of data from the firms are often different, according to Towne-Oller's new president, Bob McCann, who came from IRI; the typical user of IRI data is headquarters personnel, he said, while Towne-Oller's users are typically salespeople.

IRI drug database is derived from a nationally projectable sample of 500 drug stores equipped with scanners. Towne-Oller has a store-by-store identified database of 30,000 supermarkets and 11,000 drug stores, and it tracks four-week store orders. The combination of data on what the stores bring in and what flows out creates a number of possibilities, according to Fulgoni.

"Although Towne-Oller doesn't track scanning data their sample size is enormous," said Fulgoni. "Our aim is to move the efficiency of the industry ahead so that decisions are based on fact instead of emotion."

Fulgoni said that once data gathered from InfoScan (IRI's national and local market scanner tracking device) is combined with Towne-Oller's data, IRI can create a new industry standard.

"A merging of data would combine the accuracy of volumetric data (census data supplied by Towne-Oller's supermarket and drug store base) with the power of InfoScan," he said. IRI is working to educate the retail trade on some of the ways the merging of data can help the industry make decisions. McCann said the marriage of systems should be complete in the next six months.

Combining the two information systems can also provide the industry with a valuable inventory management tool. "Now, manufacturers can measure the rate of shipping from the warehouse to the store against what leaves the store to get a real handle on inventory management including shrinkage," said McCann.

The databases could also be combined to measure geodemographic data, salesperson performance and marketing tests, among other applications.

McKesson revamps its DC network to make operations ultra high-tech

SAN FRANCISCO — McKesson Corp.'s consolidation of its distribution center network and gradual rollout of automated "megacenters" involves new technology using a wearable computer system: a 13-ounce glove with a small screen and keypad that emits a red laser beam.

The futuristic Acumax system, designed by Dallas-based EDS and Bohemia, N.Y.-based Symbol Technologies in conjunction with McKesson, combines portable bar-code scanning using a glove and radio transmissions to track the location of about 20,000 SKUs in a McKesson warehouse.

The bar-code scanning glove, developed by Symbol Technologies, fits on an employee's hand and forearm and weighs 13 ounces. It contains a laser scanner, a forearm-mounted keyboard display module and a waist mounted portable computer and battery power supply. The technology supersedes a holster-type hand-held scanner which must be removed and replaced. The glove keeps both hands free to lift and move shipping containers.

With the "point-and-scan" bar code reader, codes can be read 20 ft. above the warehouse floor.

Since the system was installed at the wholesaler's Spokane DC in March, reported efficiencies included scanning purchase order and in-

Continued on page 41

Being there: L.A. riots, hope in Hough

IN THE MARKET
BRUCE BUCKLEY

It started with the earthquake April 23, centered in Southern California. Not "the big one," but scary enough at 6.1 on the Richter scale.

Our West Coast bureau editor, Allene Symons, tracked down a freelance photographer who had taken pictures of the damage done to a Thrifty store in Palm Springs. She drove down from Los Angeles to the photographer's home in Orange County to choose a photo for this issue.

It wasn't until she returned home that evening that she learned the full impact of a far bigger and more frightening disaster story taking place, part of it literally within a stone's throw of her home in Long Beach: the rioting that began in the wake of the acquittal of four policemen in the beating of motorist Rodney King.

So began four harrowing days for Symons of gunshots in the night, billowing smoke from nearby arsonist-set fires and trips to local stores to photograph and report on damage caused by rioters and looters. A CVS/Pharmacy a block away from her home was saved from looters only because burglar bars and a fixture along the front window blocked their way.

Lebhar-Friedman's office in downtown Los Angeles was closed as a precaution, so Symons worked at home, making calls and shaping her notes into the stories that appear on pages 1 and 3. The stories are filled with the sights, sounds and acrid smells of a war zone—not exactly the stuff that readers normally find in a trade newspaper, but nevertheless on target: the retail drug store angle of a major law and order breakdown.

The gritty feel of Symons' stories and the stark visual evidence of her photos are possible only because we put reporters in the regions they cover. Symons covers the West out of our L.A. office, not New York. We have seasoned reporters in the Midwest (Jim Frederick working out of Cleveland); the South (Mike Troy in Tampa); and Northeast (Barbara White and Liz Parks in New York). Veteran correspondent Ken Rankin covers the Washington scene for us from his office in Maryland.

Our charge to reporters: get out into the regional markets you cover and bring in stories before they're generally known.

Rite Aid in Hough

When Barbara White began a story on a Rite Aid store that opened in the once-devastated Hough section of Cleveland (page 3), she asked Jim Frederick to talk to people in Hough about the importance of that pioneering store in their lives.

Hough was almost destroyed by one of the urban riots that took place in the '60s. It has only recently begun to recover, as Frederick discovered. New housing has begun to sprout in the area and so has commercial development.

Rite Aid opened the store about a year ago because it made good business sense. The chain knows how to operate profitably in inner city neighborhoods. The community uplift that the store provided was an added benefit. Rite Aid now has other stores in the East Cleveland area.

Frederick discovered a strong feeling of community in the ethnically diverse neighborhood of Hough. He also found heavy customer involvement in their local drug store.

"Customers get very involved in the product mix," he reports. "Fanny Lewis [the local councilwoman who helped bring Rite Aid to Hough] is in the store almost every day. The store special-orders some unusual OTC products for elderly customers and keeps them behind the pharmacy counter until they come in to pick them up."

That kind of first-hand reporting is possible only because Frederick lives and works in Cleveland.

Plan would give Rx approval time a jump

WASHINGTON PERSPECTIVE
KEN RANKIN

There may be some real relief in sight for millions of Americans shell-shocked by the steep rise in prescription drug prices over the past five years.

Last month the White House Council on Competitiveness uncorked a series of reforms to accelerate the approval of new drugs by the FDA. According to HHS Secretary Louis Sullivan, these changes are likely to save lives and reduce human suffering significantly.

But the reforms proposed by the Administration could slow the upward spiral of drug prices in this country and make new medicines more affordable.

Given the sky-high cost of medical research and the limited patent life of pharmaceuticals, the developers of new drug products have a powerful economic stake in getting their NDAs handled expeditiously by the FDA.

A delay of only a few weeks in the approval of an important new drug can cost pharmaceutical manufacturers millions of dollars. Those costs are passed on to drug stores and ultimately to patients in the form of higher prescription prices.

The new approach outlined by the Bush Administration calls for four key changes in the way the FDA reviews new drug applications:

- Streamlined procedures for "breakthrough" products allowing sponsors to conduct some effectiveness testing after the drug has been approved for marketing.
- "Parallel track" clearance to provide AIDS patients access to emerging pharmaceutical therapies while they are still in the experimental stage;
- "Harmonization" of drug safety testing to permit the FDA consideration of animal research conducted abroad; and
- Outside expert reviews of NDAs by private sector contractors.

If the plan works as Administration officials hope, the drug approval reforms will have a major positive impact on the health of patients and the pocketbooks of consumers. But will it work as promised? Or will the reforms backfire?

Despite assurances to the contrary from the FDA Commissioner David Kessler, some have suggested that the price of faster drug approvals will be a narrower margin of safety for patients.

There's also concern that the plan could actually delay some new drug approvals.

What happens to the NDAs that don't qualify for fast track treatment? Will their approvals be held up because the FDA drug reviewers are being diverted to study products that agency officials consider higher priorities?

For that matter, who will set those priorities? And will they be determined by medical concerns or on political considerations?

In addition, there's fear that putting the FDA under the gun to approve NDAs faster may cause the agency to shift resources away from other vital areas.

Everybody wants the FDA to bring safe and effective new drug products to the market faster. But not everybody would be willing to support the Administration's reform plan if it means slowing down approvals of cost-effective generic ANDAs, or abandoning Rx-to-OTC switches.

DRUG STORE NEWS
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **John Kenlon**
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619.
(813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAleer Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Multipacks and two-in-ones lead the way in bar soaps

Bar soap became more interesting last year. The August 1991 national rollout of Lever 2000, a combination cream and deodorant product (from Lever Brothers Company) positioned as a family soap, proved that an innovative introduction could grab market share from long-established brands.

"Before Lever 2000, I would have said that people were extremely brand loyal," said Connie Calmer-Anderson, buyer at Cincinnati-based Hook Drugs. "Now, I see people switching from Dial and [P&G's] Zest who would have never switched before."

High selling intro. . .

The tremendous advertising that Lever Brothers packed behind the new brand had a lot to do with pushing it to the top of the category. Lever 2000 has a 7-percent share of the market, according to Peter Waxman, assistant product manager of Lever Brothers.

. . .and its latest foe

To counter the encroachment on its market share, Dial introduced its own combination cream and deodorant soap, Spirit. Said Calmer-Anderson, "Spirit is trying to take back sales, but it still can't touch Lever 2000."

Arnold Portnoy, buyer for Melville, N.Y.-based Genovese Drugs, said that Dial anti-bacterial soap is also selling well and that a repackaging of Camay has led to a jump in sales.

At Indianapolis-based Reliable Drug Stores, Inc., Camay's new three-SKU assortment of scented soaps is doing well.

Said buyer Rick Burns, "Camay is a bit more expensive. With the introduction of the Classic, Flair and Natural varieties, the brand is being positioned against upscale brands."

Dove, still a market leader with a 9.4-percent share of the market, according to Lever Brothers, remains a strong seller at Reliable. "Irish Spring also reacts well to promotions," said Burns.

Multi-packs are winners

The chain has moved away from single bars and is selling the brand exclusively in three-packs.

Other brands are often advertised at Reliable in two-count bath sizes. "Those in-and-out promotions are attractive ad items," said Burns.

Genovese, as well, is only selling multi-packs in bar soaps. The chain devotes 8 to 12 feet of space to the category. New introductions in the liquid soap category have made the department difficult to merchandise.

Liquid soaps

"Finding space for the new liquid soaps is a major problem," said Portnoy. "We now merchandise the liquids on the top shelf over bar soaps.

The chain is selling only multi-packs and has discountinued "buy-one-get-one-free" promotions. "Those promotions are of no value to the chain," said Portnoy.

Bar soaps are selling best at Genovese and at Hook in 4.7-ounce bath sizes. Personal bars in 3.5-ounce sizes still have a good share of sales.

"We don't stock anything over a bath size," said Portnoy. "The customer doesn't perceive any additional value in any bar over 4.7 ounces."

Purchasing trends in personal soaps

Brand	Total	Northeast	Midwest	South	West
Dove	16%	19%	16%	15%	17%
Ivory	10	11	8	12	8
Dial	9	5	11	10	9
Caress	5	2	6	7	5
Camay	4	7	3	3	4
Irish Spring	4	3	4	4	4
Lever 2000	3	2	3	6	1
Safeguard	3	4	3	2	2
Coast	3	2	1	5	2
Zest	3	1	4	3	1

Based on women who bought personal soaps in past 12 months.
Source: Leo J. Shapiro and Associates.

Nielsen Highlights - Bar Soap

This category generated all-outlet sales of $1.39 billion during the 52 weeks ending 3/16/91, an increase of 1 percent over 1990. Unit sales hit 1.01 billion, a decline of 3 percent from the previous year. The average price reported by consumers was $1.37 per unit, 5 percent higher than in 1990. (Units are the total number of items purchased, not equivalized).

Household penetration declined by 7/10 of a point to 92.9 percent of the 94.7 million U.S. households. Each of the 88.0 million households purchasing the category this year spent an average of $15.78. They purchased the category at a rate of 7.2 times during the year, buying an average 1.6 units on each occasion.

Consumers reported using coupons with 25 percent of their purchases (up 3 points from the previous year) and 36 percent of the units were bought on some type of retailer promotion (up 3 points).

Channel development

Supermarkets dominate channel performance with 64 percent of annual unit sales. Almost 76 percent of U.S. households (82 percent of category buyers) purchased an average of 8.9 units each through this channel last year. Convenience stores showed the greatest increase in purchase rate, growing to 5.3 units per buying household. This channel accounts for 1 percent of total unit sales.

Non-food outlets account for 27 percent of the category's purchased unit volume. Net household penetration is 51 percent for non-food channels, or about 55 percent of category buyers used the outlet for at least one purchase.

Trade channels—share of all outlet unit sales

Supermarkets 64% (unit/buyer = 8.9, penetration = 76% of hhlds)
Convenience stores 1% (unit/buyer = 5.3, penetration = 1% of hhlds)
Warehouse club 2% (unit/buyer = 3.7, penetration = 6% of hhlds)
Other food 7% (unit/buyer = 4.6, penetration = 16% of hhlds)
Drug stores 9% (unit/buyer = 4.4, penetration = 22% of hhlds)
Mass merchandiser 16% (unit/buyer = 5.1, penetration = 33% of hhlds)
Other non-food 2% (unit/buyer = 4.6, penetration = 5% of hhlds)

Consumer characteristics

The lifestage group with the highest purchase index for bar soaps: "established families." They represent 7 percent of total U.S. households but account for 10 percent of unit sales (index = 143). Household penetration for this group is 96 percent and the average price paid is $1.39 per unit.

The South (30 percent of total U.S. households) has the highest purchase index, accounting for 34 percent of unit volume (index = 112).

Purchase dynamics	1990	1991	Change
Household penetration	93.6%	92.9%	−0.7 pts
Purchase occasions (annual)	7.4	7.2	−3.0%
Units per purchase	1.6	1.6	−0.4%
Dollars per purchase	$2.12	$2.20	3.8%
One-time buyers	10%	11%	1 pt
Male primary purchase	23%	26%	3 pts

1991 Buyer Characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	91%	63%	58%
Households with children <13	28	96	29	32
Households with any teenagers	14	97	14	19
White households	86	92	85	77
Black households	11	99	12	19
Hispanic households	6	96	7	9
Metro (A and B counties)	72	93	72	75
Households with cable	59	94	59	62

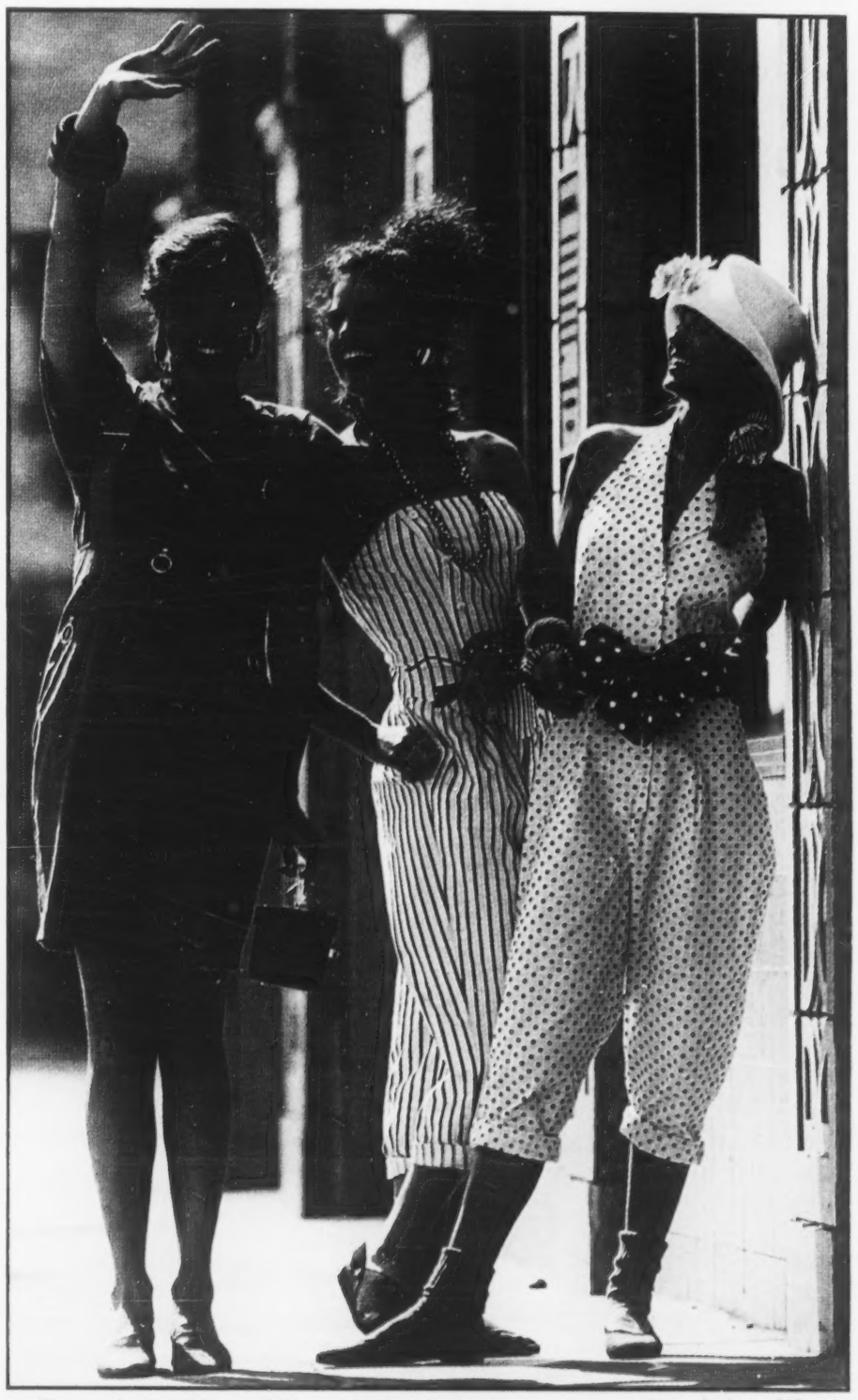
Lifestage groups — share of all outlet unit sales

Young Singles 3% (index = 56, price = $1.47, penetration = 86%)
Young cpls—no chld 5% (index = 89, price = $1.43, penetration = 98%)
New families 8% (index = 97, price = $1.31, penetration = 96%)
Maturing families 26% (index = 121, price = $1.37, penetration = 96%)
Established families 10% (index = 143, price = $1.39, penetration = 96%)
Mid-age singles 5% (index = 77, price = $1.34, penetration = 87%)
Mid-age cpls—no chld 11% (index = 116, price = $1.44, penetration = 96%)
Empty nesters 25% (index = 109, price = $1.34, penetration = 95%)
Older singles 7% (index = 51, price = $1.28, penetration = 80%)

Geographic region—share of all outlet unit sales

Northeast 22% (index = 101, price = $1.42, penetration = 95%)
East Central 13% (index = 98, price = $1.44, penetration = 93%)
West Central 15% (index = 93, price = $1.33, penetration = 91%)
South 34% (index = 112, price = $1.29, penetration = 95%)
Pacific 13% (index = 85, price = $1.42, penetration = 88%)

Chains turn to teens to boost sales



Teens have a lot of discretionary income to spend and they like to spend it on products that make them feel good.

The word is out: Teenagers represent a large force in America and their numbers are growing.

Teens have a lot of discretionary income to spend and they like to spend it on products that make them feel good, such as cosmetics, fragrances, shampoos, styling aids, personal care appliances, jewelry, pre-recorded audio and video cassettes.

Teenagers—if you could get them to shop drug stores—would make life happier for those beleaguered individuals responsible for improving inventory turns, unit sales, dollar sales and all the other factors that impact the bottom line.

Chain executives often describe teens as "fickle, not loyal," "apt to shop for cosmetics in the same location where they buy clothes," "hard to reach," "ignorant or indifferent to what drug stores have to offer."

So how do you get to this market and how, in the process of courting them, do you avoid alienating or losing your primary customers?

To some chains, like Snyder Drug in Minneapolis, teens are seen as a key niche that could, if reached properly, revitalize cosmetic sales, and they have started a test that management thinks could double the amount of business they currently do in cosmetics.

But, what will work for a regional chain like Snyder may not work for a semi-national chain like Eckerd or Walgreens or a core pharmacy chain like Rite Aid. Drug Store News *has discovered a lot of diversity, questions and experimentation in the marketplace.*

The stories that follow are meant to give you a feel for what some major chain drug stores are doing as they try to decide how best to court the attractive teen market.

'Teens are fickle and they change on a regular basis. If you find something that really works well, overnight it changes.'

Lubin, Walgreen

The growth of the teen population

Year	Female teens 12 to 19 (millions)	Female teens 12 to 17 (millions)	Percentage of teens 12 to 17
1990	13.4	9.7	72%
1995	14.1	10.7	76
2000	14.9	11.2	75
*Projected growth 2000 vs. 1990	12%	15%	

Source: U.S. Census Bureau.
*Estimated.

Walgreens

Walgreens is trying to court teen consumers in subtle ways.

"The toughest thing about teens is that phrase: 'they're fickle and they change on a regular basis.' If you find something that really works well, overnight it changes," said Steve Lubin, division merchandise manager of cosmetics and fragrances.

Walgreens tries to reach out to teens by buying some media segments targeted to teens and by carrying lines they like, like Bonne Bell and the Almay Teen line, and jewelry with a young ambiance.

"We merchandise to teens by creating little areas in big areas: all acne products together within skin; teen fragrances like Tribe and Electric Youth together in the fragrance department," said Lubin.

He says it also helps to train your sales personnel to welcome the teen shopper in the store. "For years now, if a kid entered a store, management never left him or her alone. They weren't looked at as assets, but as liabilities. Everyone would think, 'Oh, they're going to steal something.'

Continued on following page

Chains turn to teens to drive sales

Continued from previous page

It's hard to change that. But if you want their business, you have to [do just] that, especially since some of the research we've seen indicates drug stores are the No. 1 outlet for teen purchases of cosmetics."

Rite Aid

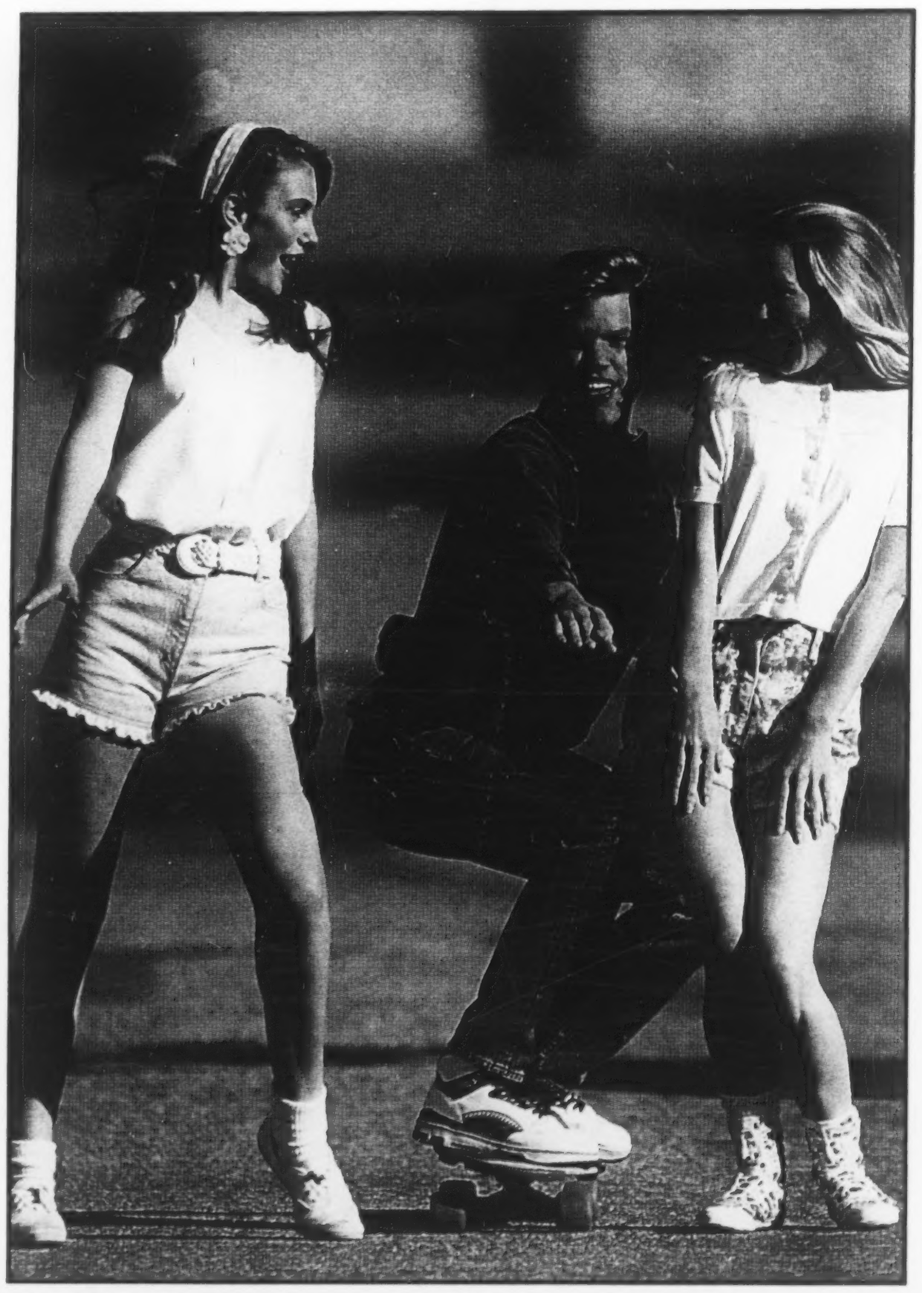
Rite Aid, perceived as a pharmacy chain, is trying to modify their marketing and merchandising presentations to include teens and pre-teens.

"We carry many of the new lipstick colors, makeup lines targeted primarily to teens like Natural Wonder and the sprays and fragrances that teens frequently use," says spokesperson Suzanne Meade.

"We try to keep trendy, to stay abreast of what's new and up-to-date. Our cologne and fragrance section has been enhanced in the past couple of years and we sell quite a bit of that to teens.

"We carry the hair accessories and the makeup items that teens like, and we merchandise the 99-cent lines on endcaps where they'll have high visibility. Teens buy an awful lot of those items because they're so affordable.

"We offer a broad assortment of hair accessories, rollers, dryers, cosmetic organizers [of which] they buy so much."



Rite Aid is modifying their marketing and merchandising presentations to include teens and pre-teens.

Perry Drug

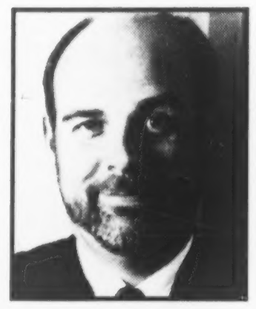
Perry Drug is also trying to broaden its appeal to teen shoppers. Several years ago, the chain developed a back-to-school circular that was addressed to teens and mailed to them in their homes.

Last year, Perry modified the program. Instead of mailing it to the homes, Perry created a back-to-school radio promotion targeted to teens. The ads featured some 30 different venders with products in such

Continued on page 19

Directing teen dollar spells success in '90s

By Paco Underhill



Underhill

What does the teen market mean to retailers in the 90s? How are they different from all of us 30- and 40-something baby boomers who think we're increasingly in charge? Perhaps most important, how can we direct their spending dollars?

Several broad strokes help us to understand some of the differences. Teens are more likely to be involved in family up-keep. They care for younger siblings, clean house and do family shopping. The working parent syndrome has fostered independence at an increasingly early age.

As the teen searches for individuality and independence, shopping with and for mom is abandoned whenever possible for shopping with friends, in packs. These pack animals have specific habits. Time patterns and habits relate to and around school, after-school activities and family dinner time. Teens are not in the mall at 11a.m. on a Wednesday. On Monday to Thursday after school, early evenings and Saturday and Sunday after sleeping in, in-store media should be more upbeat and the store should have a younger staff and video monitors showing *Back to the Future*, not *On Golden Pond*.

This newly acquired independence filters into many aspects of the teen's life. Toiletry manufacturers have tapped into this market, but are ignoring the emotion of their consumers. The pressures of personal appearance lead to big money being spent in grooming and personal hygiene. Having your own deodorant, shaving cream, pimple cream, gel, toothpaste, etc., rather than using your parents', is all part of developing the independent self.

Another fine line appears. While it's cool to have your own deodorant, it's not cool to shop for it while the girl in your 5th period history class is buying her own zit cream. Section placement must respect teens' privacy needs more than any other group of consumer. It is an accepted practice that men's hygiene should be isolated from women's hygiene.

Our studies in cosmetics show that teens are the most likely group to sample and test products. Whether the manufacturer intends for the product to be tested or not, teens will sample. This behavior can take a clean, fully stocked

Continued on page 22

The spending power of teens
(in billions)

Income	$37
Spending	$21
Purchase influence	$75

Source: Rand Youth Poll and *Teen Magazine*.

Teen usage of beauty care products

Categories	Percentage of teens using
Perfume	93%
Nail polish removers	93
Nail polish	92
Lipsticks	89
Lip glosses	89
Facial cleansers	88
Eye shadows	79
Blush	79
Powder makeup	76
Mascaras	76
All over body lotions	69
Organizers	66
Eyeliners	65
Lip moisturizers/ protectors	63
Face creams daytime	55
Liquid makeup	55
Sunscreens	54
Cologne	51
Body sprays	50
After bath lotions/sprays	50
Eye pencils	49
Nail treatments	47
Bath/shower gels	47
Eye makeup removers	44
Night creams	41
Facial masks	41
Dusting powders	29
Facial toners	25
Artificial nails	13
Eye moisturizing creams	10
False eyelashes	2

Source: Drug Store News, Teen Magazine Survey, Deliverable Drug Stores.

Teen buyers go for the gimmicks

Marian Salzman is president of BKG Youth, one of the country's leading youth marketing consultancies.

By Marian Salzman

From the time they first empty out a box of Cap'n Crunch for the decoder ring, kids are hooked on marketing gimmicks.

By adolescence they may have adopted a modicum of restraint, but they're still hungry for freebies. Whenever possible, use a sample as a lure.

Everyday low prices will also keep teens coming back. Shoppers in this age group don't want to spend a lot of money to get the best buys.

They want a store where they can get everything they want at a discount price.

Teens are also open to efforts by drug store owners to sell bigger ticket items such as radios and cameras. They know they can buy a reliable brand without paying department store prices.

Though brand loyalties are often passed down from parent to child, teens typically are willing to sample the competition if it catches their eye. Girls, especially, are on the lookout for products that are new and fun. They love to experiment—with haircare products, makeup, even cleansers. Products such as facial masques which seem to be too much of a bother to mom are precisely the kind of thing to give a girl "the spendies."

Salzman

Environmentalism and animal rights advocacy aren't simply passing trends. Teens today are serious about the state of the planet.

By flagging environmentally friendly and non-animal tested products in your stores, you'll send a message that you care about more than just making a fast buck.

Put out welcome mat

No one likes to shop in a place where they're not wanted.

Teens may pop into an unwelcoming store for an essential item, but they certainly won't stay to browse—and that means a lot of lost revenue for the store owner.

If you want teens to spend their not inconsiderable funds in your stores, *tell them*. Make sure the sales staff knows you want the teen business, too.

A simple way to get the message across is to provide incentives for academic achievement.

In-store contests are another easy way to promote your stores as teen-friendly places. By targeting a contest to that age group, you'll let them know they're welcome.

Try setting up a display case with pamphlets on subjects of importance to teens.

Skin care guides and fact sheets on how to protect oneself from sexually-transmitted disease, is just one of the topics teens like to read about.

If you have sufficient space, set up after school or evening presentations for products or ask a local makeup artist to come in and share their secrets.

The better you make teens feel about themselves while shopping in your stores, the more loyal they will be.

Chains turn to teens growing income to boost sales

Why teens don't shop drug stores for beauty care

	Percent giving this response
1. Don't have the brands I want	20%
2. Dislike the quality	11
3. Dislike the prices	9
4. Other stores have a better selection	7
5. Gets their beauty items from a specialty store	6
6. No customer assistance	3
7. They only sell drugs	2

Source: *Drug Store News, Teen Magazine* Survey, Genovese Drug Stores.

Continued from page 14

teen active categories as skin care, cosmetics, hosiery, personal care appliances and cosmetic organizers.

Perry's vp of merchandising Steve Lund says that, based on the responses from the stores, the program was very effective.

"We geared the ads to teens, and included popular teen words or jargon, and we ran it on the radio stations that teens listen to the most. We're still working on our back-to-school program for 1993, but we may do it again."

But, he also voiced a concern that many retailers have about the teen market: how to reach the teens and instill in them a sense of loyalty to a store.

He says that teens "are important as a secondary market, but it's hard to be sure how to approach them and how to do it cost effectively. We almost have to donate dollars to a co-op program that is separate from what we do for our adult market, and I'm not so sure we can capture the loyalty of teens the way we capture the loyalty of adults.

Big, regional Midwest chain

The HBA buyer for one large chain headquartered in the Midwest says it's also searching for ways to "reach teens."

The chain recently created its first ad targeted specifically to teens using Coty's new Tribe fragrance as an attention-getter. Now it's trying to develop a separate flyer for back to school, maybe in the form of a small book that would feature products and brands popular with teens.

"If it appeals to teens, we feel it will trickle down and appeal to pre-teens as well," said the buyer.

Harco Drug

At Harco Drug in Alabama, Jim Harrison III, assistant to the president, says the teenage market offers tremendous potential, but the question is, "How do you reach them?"

"At our last Chain Drug Marketing Associates (CDMA) in Orlando, I sat in on a presentation that *YM* magazine gave on the demographics of the teen market—it was eye opening. That market has dramatic potential as far as we're concerned. If you can develop a loyal customer out of that teen population and get them on board as a long term customer, the amount of business they will do in a lifetime is enough to make it make it worth the effort you spend attracting them. But how do you do it?

Harrison said that Harco does reach out to teens in their regular advertising programs, at spring and summer, by advertising skin care products, sun tan products, fashion cosmetics and such, and then again in the fall, with their traditional back-to-school program.

"We probably do more than we realize at promotional periods," he said, "but we don't have an ongoing program, and I think it's time we sit down and think about how can we really promote directly to teens."

Eckerd Drug

Dick Hakel, who buys HBA for Eckerd Drug, says that teens are an important secondary market for the chain, and to reach them, it plans its promotional advertising at key periods, like Back To School, around products that have a higher-than-average index rating to teens.

"Depending on the time of year, we feature products that we classify as 'good teen products' like L.A. Looks, which is very popular with teens, or Teen Spirit deodorant."

"The teen market is something you just have to understand mentally," says Karen Durham, buyer of fragrances and personal care appliances for Eckerd. "That market is so diverse, there's not much you can do with a merchandising presentation. The average 15-year-old looks at it and says it's too cutesy."

The chain has tried merchandising teen fragrances like Tribe, Electric Youth and Night Rhythms in a teen center, but Durham says, "It didn't appeal to the 15- and 16-year-olds." She calls teens "a difficult market to get. They're spending mom's money on designer fragrances and they're buying their cosmetics and fragrances where they shop: in the malls.

At this point, Eckerd is basically advertising to teens at key promotional periods like Back To School.

Why teens shop drug stores for beauty care

	Percentage giving this answer
1. Low prices	35%
2. Larger selection	19
3. Convenience	16
4. Close to home/school	15
5. Better selection/ best brands	4
6. Quality	4
7. Has everything I need	4
8. Like the sales	3

Source: *Drug Store News, Teen Magazine* Survey, Genovese Drug Stores.

Condom makers see big potential in the teen market

Condom sales, which reached $211.3 million in drug stores last year, may not repeat the sharp annual increases of the late 1980s, but the growth potential is well-defined—and teenagers are a key part of that growth segment. Last month, secretary of Health and Human Services, Louis W. Sullivan, announced that young people, along with women and ethnic minorities, are today's prime groups in need of greater AIDS-risk awareness.

Schmid is the first condom manufacturer to market a product specifically for the youth market, knowing that teens represent a consumer segment who keenly desire their own group identity. Ramses Safe Play condoms for "young lovers" combines a light-hearted approach and a serious message. In the Safe Play logotype, "play" is the larger word since its aim is to win new users. A free promotional key chain, included in the six-piece box, cuts to the chase with its slogan: Safer sex saves lives.

According to Schmid, almost half of all sexually active males 18 to 24 are potential new users, while 60 percent of sexually active teens report they purchase condoms. That customer is likely to be female, since more than 20 percent of condoms are purchased by women. Where is a teenager likely to buy a condom? Although food stores and discounters are cutting into this traditional drug store category and condom dispensing machines are becoming more widely available, drug stores still sell around 70 percent of all condoms. And teens know condoms are found in drug stores.

A new user faces an almost overwhelming variety of product. The teen user may start with the youth targeted Safe Play or with a highly visible brand like the No. 1 selling Trojan Enz. From there, he or she has a wide range of product to consider, ranging from different types of materials (natural skin and latex) to ribbed surfaces, colors, scents and various lubricants and spermicides. It remains to be seen if other manufacturers will launch youth or "entry level" product for this market—but chances are that they will.

Teens and acne: going steady

There's nothing trendy about teens and acne medication. It's a sure thing, year after year. What's more, this perennial problem not only leads to single-remedy sales, but also sells line extensions ranging from washes and gels to pads and bars.

Drug stores command the largest trade share in this category, which reached total sales of $238 million in 1991, up 2 percent from the previous year, according to Nielsen Marketing Research. In a study by New York-based Frost & Sullivan, the acne category is projected to show a 12 percent dollar growth over the next five years.

Some teens shopping for themselves choose a highly visible brand like Clearasil, while others look for advice from pharmacists or product labeling. During Clearasil's "awareness week" in March and April, national ads targeted both college and high school students during spring break with an idealistic global theme, "keep the hope alive." The slogan says a lot to a teenager willing to try any number of remedies in the quest for clear skin, especially with prom and graduation season just around the corner.

The breadth of product and Rx-to-OTC shifts in the acne medication category mean opportunities for patient counseling. Many pharmacists report that they recommend a product with a lower or 5-percent level of benzoyl peroxide and move up to stronger products like Oxy 10 or Benoxyl 10 for more severe acne cases.

Last month this category came under scrutiny when the FDA considered the risk of possible carcinogenic effects from the active ingredient found in most acne medications, benzoyl peroxide. In a unanimous decision, the FDA panel advised that the products should remain on the market pending further studies.

Poll: teens spend big

NEW YORK — Teens exert plenty of influence on household purchases. The Rand Youth Poll's 39th annual nationwide survey of financial trends found that American teenagers exerted a $231.4 billion pull on the national economy last year.

In addition to their everyday spending, teens also socked away $10.2 billion in 1991 toward the purchase of more expensive durable possessions, such as cars, VCRs, stereos, etc.

Manufacturers may do well to appeal to the teen market. In addition to their own weekly outlays on food, clothing and entertainment (a total of $58 billion in 1991), many teens with working mothers are given the responsibility for food shopping. In 1991, that meant teens oversaw how an additional $28.3 billion was spent at the supermarket.

Snyder's Teen Club HBA program draws teens

To Snyder Drug in Minneapolis, teens are a key niche that can, if reached properly, revitalize cosmetic sales.

"Most of the periodicals you read are talking about how much discretionary income kids have to spend these days," says John Hilbert, who, as manager of service operations for Snyder, handles many of their special projects.

"Teens are one of the largest users of cosmetics and they use a lot of what drug stores sell the most: eye, lip and nail. I read that the average teen spends $10.14 a week on cosmetics."

The chain has started a test that management thinks could double its cosmetics business.

Teen Club introduced

Last March, in a single test store in Ames, Iowa, Snyder introduced a new program called a Teen Club. It was designed to encourage teens to think of Snyder as "a destination store" for cosmetics and other personal care/grooming aids.

As a prelude to the launch, Paul Mohlke—who manages the Ames store—and Hilbert made a thorough survey of the competition including discount stores like Wal-Mart, Kmart and Target. When they finished, they reduced their prices in cosmetics until they matched or beat the competition. Then to reach teens, Snyder began advertising in the local high school newspaper, as well as on local radio.

In the ads, the chain used an illustration that shows a beautifully made-up mouth with the headline: "More Than Lip Service. You'll Love Our New Cosmetic Prices. Come In and Ask To Join Our Teen Club and You'll Receive a Free Bag of Cosmetics or Toiletries plus 10% Off Most Of Your Purchases As Well As Free Monthly Give-aways."

To monitor the effectiveness of the program, Snyder gave each new member a card with a membership number. Whenever a member uses the card, they get a 10-percent discount on anything they buy except prescriptions, sales items and tobacco.

To generate return visits, the chain gave each club member a separate punch card with incentives on it for visiting the store each month.

It worked like this. When a teen visited the store in March, for example, she got a free one-hour photo processing. If she came back in April, she got free nail enamel.

Snyder also assigns a number to each teen as she or he signs up, and through that number,the chain tracks how often teens come to the store, what they buy while there and whether or not they bring someone with them.

Snyder will also double the amount of any manufacturer coupon teens bring in.

Hilbert says that as this program builds momentum, he hopes the store will be able to:

- increase cosmetic inventory turns,
- increase unit sales,
- increase dollar sales,
- double, possibly even triple sales in cosmetics, and in the process, transform the department from where it is now, at about 4 percent of total store sales, up to 8 or 10 percent of sales.

With the average teen spending over $10 per week on cosmetics alone, chains are wise to target programs specifically for them.

Mohlke says that in the first month, some 150 to 200 kids signed up—between 80 and 85 percent of them were girls.

"The girls are mostly buying cosmetics," says Mohlke, "but they're also buying a lot of shampoos, styling aids, school supplies and health aids as well as beauty aids."

The turnout

Mohlke says that when they started the Teen Club, they expected to get a lot of older high school kids, but they're finding they are primarily attracting younger kids 13, 14 and 15, often coming in with their mothers.

Down the line, Snyder plans more in-store events for teens, like free samples and make-overs. They're planning to form a Teen Club Advisory Board.

Mohlke and Hilbert say they'll use the board to learn more about teens. "We'll ask them what kinds of promotions they like, what they are buying and if we're pricing right."

Molkhe reports that parents have been coming in to tell him that the Teen Club is "one of the best things that has ever happened for their kids. I think it's because so many stores make kids feel unwanted. They discourage them or hover over them, making them feel uncomfortable or even not trusted."

Because Snyder feels that teens like to have someone on hand to ask advice of when they buy cosmetics, they are also beefing up their service program in the store.

The cosmetician in the store has been trained to answer questions from her customers. The fact that she is young makes her approachable.

Manufacturers sniff out profits from deodorants

The teen market is a hot topic with deodorant manufacturers who want to build brand loyalty and capture some of the age group's large discretionary income.

The Mennen Co. was the first to capitalize on the market by introducing Teen Spirit in 1989. As droves of young girls stocked up on it, other manufacturers were forced to step up their marketing efforts to hang onto their teen consumers. "The success of Teen Spirit is no secret," said Michele Kaminski, category manager Mennen.

Much of the product's success is due to the fact that it is the only deodorant specifically marketed to teens. Print advertising features young girls in active situations and packaging features bright, bold colors and youthful graphics.

"We capitalize on anything that is incredibly cool and hot," Kaminiski said.

Other brands, such as Procter & Gamble's Secret, Gillette's Soft & Dri and Ban by Bristol-Myers Squibb, attempt to attract youthful consumers even though the products are not specifically for teens.

The introduction of Teen Spirit prompted an increase in advertising directed at teens, according to Janice Grossman, publisher of *Seventeen*, a popular magazine with females 12 to 24.

"I think the manufacturers are just waking up to the fact that teens have enormous buying power," Grossman said. "They want to contact, impress and woo teens at the stage when they are forming brand loyalty and personal products are especially susceptible to brand loyalty."

Gillette is one manufacturer that attempts to reach teens through magazine advertising.

"Teens are heavy magazine readers and they are influenced by word-of-mouth, so we do a lot of advertising in *Seventeen*, *Sassy* and *YM*," said Stacy Poritzky, a senior product manager with Gillette. "We have a significant share of 12 to 17 year olds and it's a very loyal user base."

There's also a deodorant market emerging for seven to 12 year olds, according to Phil Davis, president of Cleveland-based BertSherm Products. BertSherm manufactures Fun 'n Fresh and the product is carried by Wal-Mart, Target, Kroger, Revco and Walgreens.

The deodorant was introduced to a Ohio, Michigan, Indiana and Kentucky test market in 1989 and is targeted to kids aged seven through 12 who have unique personal hygiene needs, according to Davis.

"Fun 'n Fresh is not going to be a No. 1 brand, but it allows a store to bring in fresh dollars rather than adding another SKU of a major national brand and redividing existing dollars," Davis said.

Product categories that appeal to teens

Category	Percentage of female teens who use it 12-19	Percentage of male teens who use it 12-19
Toothpaste	98%	97%
Shampoo	96	96
Deodorants/anti-perspirants	95	88
Perfumes/colognes	82	—
Hair spray	81	39
Breath fresheners	73	60
Medicated cleansers/liquid lotions	63	37
Styling gels	61	36
Mouthwash	61	57
Prerecorded cassette tapes	61	56
Disposable shavers	59	29
Suntan/sun screens	58	36
Cleansing creams/lotions	50	—

Source: STARS 1990 (Simmons Teenage Research Studies).

Chains eager to reach out and touch some teens

While many chain drug retailers like the potential of the teen market, they are often bewildered by what they see as the complexity, fickleness and unpredictability of this market and consequently, not certain how they should be reaching out to teens.

As Jim Harrison III, assistant to the president at Harco Drug, puts it "teens certainly have lots of disposable income, and are a huge market, but we don't know yet what services and needs they require. So we know we're not tapping into the opportunity they represent."

Because Harrison's comments were so common, *Drug Store News* decided we needed to get some feedback from people who specialize in marketing to teens.

We interviewed Jay Cole, publisher of *Teen* magazine, and Marian Salzman, president of BKG Youth, a prominent youth market consultancy.

Salzman, wrote a column which appears on page 14; *Teen* provided primary research; and Paco Underhill, president of Envirosell, a marketing research firm based in New York, wrote a teen marketing column, also on page 14.

Salzman has appeared on a number of television shows to discuss her work with teens and, through BKG Youth, developed the National Teen Summit. The summit is an annual event in its third year that brings commercial sponsors together with student leaders for four days of seminars.

According to Cole, "Teens are very aspired. They're looking for good, solid information. They want to know how to achieve results and when it comes to beauty care products, they want to be educated on how to use what they buy as well as what to buy."

BEAUTY BEAT
LIZ PARKS

Cole says teens are a very responsive market. "You don't just talk to kids. You get them involved. That's one reason why teens love write-in columns where they can get answers to their questions. A good way to market to [them] is to develop a dialogue with them."

Cole says they also respond enthusiastically to coupons, contests and sweepstakes. "These are almost all response-orientated programs," he says, "and teens react to that."

Cole mentioned the Helene Curtis Salon Selectives/*Teen* magazine sweepstakes contest as one example of the kind of marketing program that works well with teens.

He said they also respond strongly to the column on feminine hygiene that P&G sponsors in *Teen*, and to the Cover Girl "Extraordinary Teen" contest that Noxell, now incorporated into Procter & Gamble's cosmetic and fragrance division, developed.

The Cover Girl event is an achievement recognition program, not a beauty pageant, and contestants are nominated for their accomplishments in such areas as helping to feed and house the homeless.

Cole says that retailers, as well as manufacturers, have been successful with contests and sweepstakes. Kmart, for example, uses the Miss Teenage America contest to involve teens in their stores.

Kmart invites the winner to serve as a corporate adviser to Kmart, and through her involvement, she helps Kmart build an identity and awareness among teens.

Marian Salzman warns that it would be a mistake to classify teens as liabilities instead of assets, she said: "If your idea of targeting teens means posting a guard at every aisle, you're missing out big time."

Salzman said that instead of discouraging teen traffic, retailers should be welcoming this age group with open arms. "Teens may be unpredictable, but when it comes to merchandising, they're a force few retailers can afford to ignore. They can make or break a store, a product, even an industry."

Quoting *Teen*, Salzman pointed out that 12- to 17-year-olds will grow by 15 percent this decade and drug stores are in a great position to woo these first time consumers because "they're conveniently located near homes and schools, and they offer the convenience of one-stop shopping."

Directing teen dollar spells success

Continued from page 14

planogram to a state of chaos after just one teen shopper.

A functional planogram is one that looks as good at 5 p.m. as it did at 9 a.m. Since items will be tested regardless, why not plan for it? Sacrificing one bottle of liquid base for a tester is cheaper and cleaner than having a shelf full of opened packages. Having a cosmetician who works well with teens may be a good investment. The trick is to make sure they work the hours that teens are in the store.

While teens take more time than older shoppers to search out a certain product, they shouldn't have to scale a fixture to reach it. In two studies, one on snack food and the other on pet food, we documented young teens climbing into the shelves to reach products. The present system of shelf allocations for both drug and supermarkets often ignores the realities of who and how items are shopped. Young teens, petite women, and seniors are victimized. We know from our studies that teens are vulnerable to well designed and positioned POP devices. The key phrase here is well designed, which means specifically targeted to youth, and well placed means positioned where teens and young adults are likely to shop.

Savvy marketers know that teens have money and are willing to try new products and ideas. Teens are more brand conscious than brand loyal. This may be what drives impulse sales packaging, promotions and recognition will lure the teen shopper more than discounts and coupons.

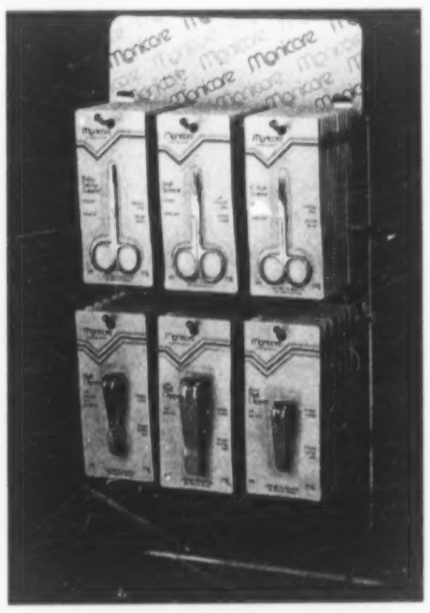
Paco Underhill is president of Envirosell, a marketing research firm based in New York.

36 FREE CLIPPERS
$55.80
FREE GOODS
@ Suggested Retail
36 FREE CLIPPERS

SCISSOR/CLIPPER
SPECTACULAR

QUALITY STAINLESS STEEL SCISSORS PRICED TO SELL

• HIGH PROFIT •
• QUICK STOCK TURN •
• COMPACT DESIGN •
• HIGH VISIBILITY •
• INCREASE •
• IMPULSE SALES •



LAST ORDER: July 17, 1992 (Subject to Availability)
SHIPMENT: through July 17, 1992
One Order One Shipment

SPECS: 17"L x 10"W x 5"H
CUBIC: 0.49 Feet
WEIGHT: 6.25 lbs.
Supplied With Counter Display

Contents: 6 SKUS, 72 UNITS UPC # 34533 91005

#		QTY.	Suggested Retail
30800	Baby Safety Scissor	12	$5.95
31200	Nail Scissor	12	$5.95
31400	Cuticle Scissor	12	$5.95
44600	Nail Clipper w/Chain	12	No Charge
44700	Nail Clipper Large	12	No Charge
44800	Nail Clipper Deluxe	12	No Charge

SPECTACULAR
FREE GOODS $55.80
@ Suggested Retail

Contact Your Local Representative or Call 1-800-365-3636
Manicare
All Manicare Products Are Backed With A Lifetime Satisfaction Guarantee

• *Year round sales*
• *Holds full 24 hours*
• *No taste or odor*
• *Fits all dentures*

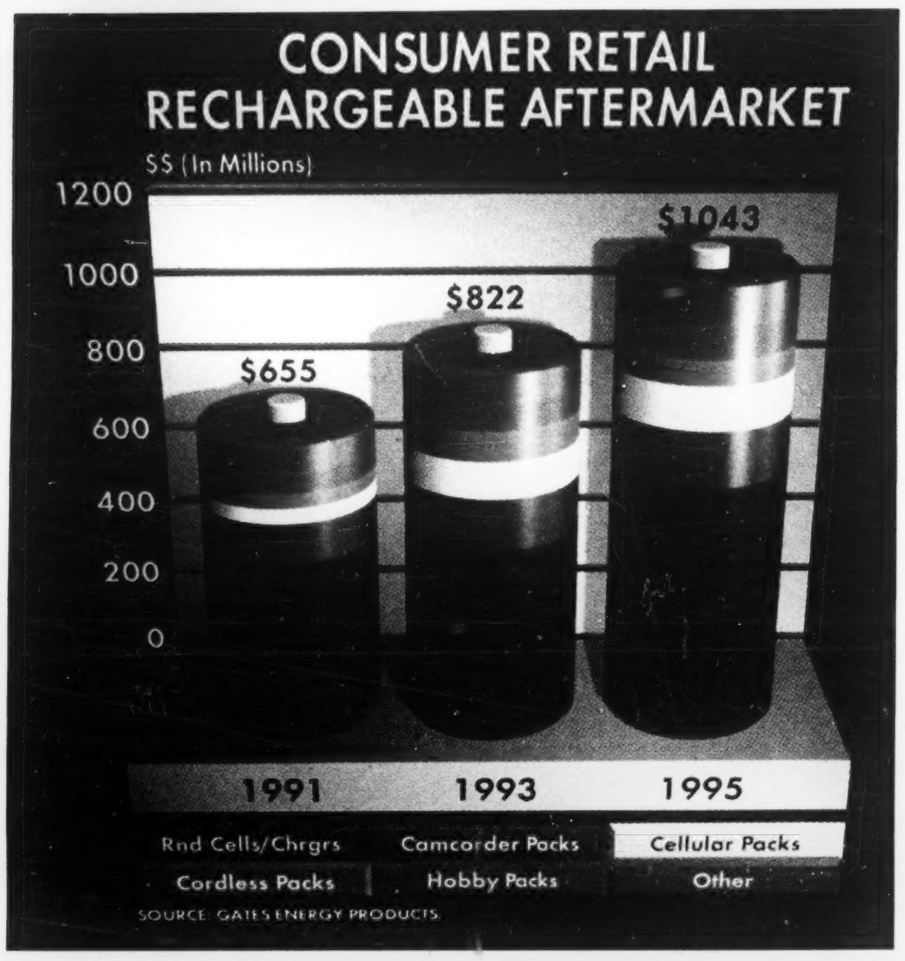
• Lower Regular 15's
• Lower Heavy 15's
• Upper Regular 12's
• Upper Heavy 12's

ezo® DENTURE CUSHIONS
Largest Selling Denture Liner.
National Newspaper Advertising.
MEDTECH LABORATORIES, INC.
3510 North Lake Creek Dr. • P.O. Box 1108
Jackson, Wyoming 83001 • 1-800-443-4908
Ask your wholesale or Medtech representative about EZO, or call us directly.
© 1990 Medtech Laboratories, Inc.

Two sunscreens give "maximal protection"! [SPF=10]
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The only cold sore treatment with sunscreens. [SPF=10]
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Impulse, convenience fuel chains' battery sales



Drug stores remain a popular choice for battery purchases, even though discount stores and warehouse clubs have gained market share by moving truckloads of hot-selling alkaline multipacks.

Manufacturers' projections on the size of the battery market vary, but all agree the category will continue to grow. Demand will increase for all types of batteries and that bodes well for drug chains because photography, hearing aids and watch batteries are niche applications where increasing demand could fuel sales increases at drug stores.

"Growth in the popularity of photography has produced a big market for lithium photo batteries, and hearing aid batteries are also a growing area for Walgreens," said spokesman Mike Polzin. "The battery market is continuing to grow and the trend is toward alkalines as it has been for the past five years. Also, manufacturers are continuing to spend money promoting directly to consumers and drug stores are benefiting from that."

One retailer that has stayed away from the multipack bandwagon is Thrifty White Drug Stores in Minneapolis.

"We primarily carry the Eveready and Duracell lines in two- and four-packs, and they do extremely well for us," said Lee Osborn, a buyer with the 53-store chain. "We don't have the space for large displays and multipacks."

The chain regards itself as a convenience store and has found, as most drug stores have, that multiple store locations are necessary to increase sales.

Convenience is key

Convenience is a strong suit upon which chain drug stores must rely heavily since it can be difficult to offer prices any lower than prices at discount stores or warehouse clubs.

"Drug stores will remain a popular place for batteries without a doubt because of the convenience and impulse of the items," said Carl Wheeler, a buyer with Super D Drugs. "I don't think many people are going out to compare prices. It's convenient to pick up batteries when you are out somewhere and you see them."

To make the category convenient, Eveready spokesman Gary Baker recommends a permanent display of 4 to 12 feet as well as displaying product at other store locations.

"I would say drug stores have lost market share even though their sales are flat because the business is being impacted by new classes of trade that are emerging," he said. "Drug stores are still a dramatic piece of the business and they should look at whatever little niche they might be able to get into."

Eveready and Duracell combined account for 85 percent of all battery sales and both will spend millions this year to promote their products.

Upcoming promotions

"We are going to do a tremendous amount of advertising with the Energizer Bunny," Baker said. "We will be doing a promotion this fall for Christmas where people can receive a free Energizer Bunny ornament with two proofs of purchase."

Duracell is also offering retailers a new program called Duracell Plus. The major component of the program is Modular Merchandising and it gives retailers the flexibility to order battery mixes according to how well a particular battery size sells, and it can be adapted for specific trade classes, store size or type, or seasonal geographic locations.

"Modular merchandising can benefit any retailer who needs to correct inventory situations or who simply wants to have tailor-made displays at strategic locations throughout the store," said Bruce Travis, Duracell's senior vp of sales.

As in past years, most of the category's growth is expected to come from increased sales of alkaline multipacks. Alkalines have steadily emerged as the most popular choice among consumers because they last up to six times longer than zinc carbon batteries, yet cost only about twice as much.

Today, alkalines account for about 80 percent of all batteries sold, compared to 25 percent in the late 1970s, and growth in the segment is expected for a variety of reasons.

Manufacturers expect alkaline multipacks to stay very popular as interest wanes in heavy duty and zinc carbon types. And retailers' addition of secondary and tertiary locations should spur sales.

Companies such as Rayovac and Panasonic remain players in the battery industry, but the strength of Duracell and Eveready, their economies of scale in production and distribution and significant investments in plant, technology and promotions make it difficult for competitors.

Rechargeables: $1 billion by 1995

Rechargeable batteries are making strides in the marketplace, but a lack of education and high initial price points remain obstacles to rapid growth.

Drug stores presently account for only about 5 percent of all rechargeable battery sales. However, as product awareness grows, the category is estimated to increase from $700 million in 1992 to more than $1 billion in 1995. For drug chains to capture a larger slice of the expanding pie, manufacturers recommend promoting rechargeables differently than throwaway batteries.

"Grouping rechargeables with throwaway batteries fails to recognize the fundamental differences between the two products," said Timothy Hill, director of sales and marketing with Gates Energy Products, Inc. "Rechargeable power cells and packs truly are durable goods and should be classified as such."

"Since rechargeables have been in the market, sales have been pretty flat and I think it is pretty much going to stay that way," said Carl Wheeler, a buyer at Super D Drugs, Inc.

Other stores are noticing some improvement in the category. "Rechargeables is a category that is getting better for us, but it's still a small share," said Walgreen's spokesman Michael Polzin. Manufacturers are spending their money promoting throwaways." Out to change all that is Gates, the nation's largest rechargeable manufacturer. After manufacturing private labels for 25 years, Gates introduced its Millenium Power System line in January 1990 and has actively promoted the product at trade shows; it will soon unveil its Millenium Advantage Program.

"This year, we'll be increasing our advertising by 25 percent and we've doubled our investment in consumer education," said Hill.

Minneapolis-based Thrifty White Drug Stores carries the Millenium line. "We use Millenium and they really back the product with a lot of advertising. It is a steady category, but it has never been a barnburner for us," said buyer Lee Osborn. According to a study conducted by Clarion Marketing and Communications of Stamford, Conn., on behalf of Gates, nearly 90 percent of rechargeable users expressed a high degree of satisfaction.

CABOT
#1 in Vitamin E Skincare

CABOT'S® Vitamin E
Cabot Laboratories, Inc. Central Islip, NY 11722

Mead

CAMBRIDGE BUSINESSWEAR™
AS IMPORTANT TO THE WAY YOU LOOK AS THE CLOTHES YOU WEAR.

Treats, protects & helps prevent cold sores, sun & fever blisters.
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The sun is the major cause of cold sores called lip sun blisters.
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Style, selection key to reading glass sales boom

When retailers view the reading glasses category, service is coming into sharper focus.

Retailers have found that by infusing fashion and higher quality frames into the mix, they could capture more impulse sales. Aging baby boomers responded to the greater selection to the point that the category has been likened to consumable products. And at many chains that's meant double digit growth over the past two years.

Phil Kahn, executive vp, Personal Optics estimates that in dollars per square foot, reading glasses rate as one of the most profitable categories in the store.

"The category is becoming disposable," said Steve Hewes, buyer at Melville, N.Y.-based Genovese. "People buy a few pairs for home, then they buy a pair for the car."

With so much consumer acceptance, how do retailers keep the right assortment of styles, colors and strengths in stock?

A selection of fashion and high quality frames can lead to impulse sales in a category that is becoming almost disposable.

Stay in stock

"If you're out of stock, you're out of business," said Susan Lund, buyer at Minnetonka, Minn.-based Snyder's Drug Stores. Since the sale of reading glasses by drug stores was legalized in the state three years ago, Lund said the Magnivision glasses ranging in price from $14 to $18 that she stocks have been "selling like crazy."

Lund carries a mix of eight strengths in 10 styles in a floor stand near the pharmacy, a big assortment which, she says, suffers whenever she runs out of stock.

"We run ads once every quarter. We just finished a coupon book that offered $4 off glasses and we were completely wiped out after the promotion," she said.

Since the maintenance of the category depends most often on rack jobbers, retailers often feel frustrated in their goal to keep the category fully stocked.

"When I'm out of Maalox, I can call the wholesaler," said Robin Koon, buyer at Newport Beach, Calif.-based Horton & Converse Pharmacies. "But I can't get reading glasses from the wholesalers and the rack jobbers may not come in for six to eight weeks." Koon said the 19-store chain is selling about 200 pairs of Crown glasses chainwide per week and is pulling a 50 percent margin.

'If you're out of stock, you're out of business.'

—Susan Lund

Service programs key

To counter out-of-stock problems, Magnivision has instituted Magniserve, a special service which employs rack jobbers to service stores. The service has gone from a regional service started four years ago to a national service.

"We're making over 30,000 service calls a month," said Howard Brauner, vp marketing for Magnivision. "We service high volume chains such as Duane Reade twice a week. We visit the Longs in Honolulu—the highest volume store in the country—even more often."

Said Joseph Agugliaro, buyer at Duane Reade: "We put Magnivision in the stores in November and we've already done a strong business. The best part is that we don't touch it. The rep comes in and orders merchandise, then it's express mailed overnight to the store."

Agugliaro said the chain is moving the racks from the back of the store to front locations, a move which may generate even higher turns.

Kerr Drug, one chain which had considered warehousing as a solution to out-of-stock problems, has opted instead to use Magniserve.

"Anything I would have gained through warehousing allowances I would have spent to keep up stock," said Chuck Bower, buyer at Kerr. "By the time I pick it and ship it, I haven't saved anything."

Bower said that Magniserve calls on Kerr stores once every three weeks to once a week, depending on the store's volume.

Creating the right mix

He said he's also worked with Magnivision to weed out slower moving items and to add newer styles.

"The average price for the glasses is $14.95. Last year we added a tinted bi-focal that retails for $18.95. This is one area where people don't shop around. They see it and if they want it, they buy regardless of price," Bower said.

He says he wouldn't think of stocking imports at $8.99; other merchants,

Cont.'d on 39

Duane Reade is moving the racks from the back of the store to front locations, a move which may generate even higher turns.

Most frequently advertised reading glasses at top 50 drug chains

(August 1991 to January 1992)

Brand	% of total reading glasses advertised
Magnivision	60.7%
Personal Optics	11.1
PennOptics	8.9
Forrester & Vos	8.6
Forster Grant	5.9
D.K. Select	4.4
Crystal Visions	3.0

Source: Ad Activity Marketing Services, Inc.

Reading glasses see booming sales

Cont.'d from 36

such as Horton and Converse's Koon, said lower priced items have the swiftest turns.

"Our customer base doesn't really care about the fashion component," said Koon.

Fashion, however, is driving sales at chains such as Genovese, Hutchinson, Ks.-based Dillon Stores and Tuscaloosa, Ala.-based Harco.

"The rack has to be organized according to what the customer wants, but the mix also needs a splash of fashion," said Frank Gable, vp of sales at Harco. "The fashion element is driving multiple sales."

A manufacturer with a good service record is key since sales depend on a broad assortment in the reading glasses category.

Harco carries the Better Vison line, with glasses priced between $16 and $17. While chains such as Harco and Kerr hold price, Genovese discounts its $14 to $24 merchandise to offer customers everyday low prices.

Strong margins

"Our margins are still a strong 50 percent and up even though we discount," said Hewes. Hewes said he stocks 16 styles in seven to eight powers on a rack at the back of the store that holds 190 pieces.

Hewes advertises the category six times a year in circulars. Although Bower doesn't discount reading glasses, he does run 25 percent off promotions on his entire rack. Since the rack is placed near the pharmacy area, the promotions spark impulse buys from customers waiting for their prescriptions.

Harco's Gable said that rack presentation is also important to making a sale. "Customers need some guidance on their purchase. They need a selling tool to help them determine what they need," he said.

Read-y-Vision is one vendor that's customizing its racks to retail outlets.

The line's parent company, Forrester & Vos, has developed a rack that holds 360 pairs of glasses.

Personal Optics has a twin-spinner display rack with an overhead mirror and information on how to select the proper lens strength.

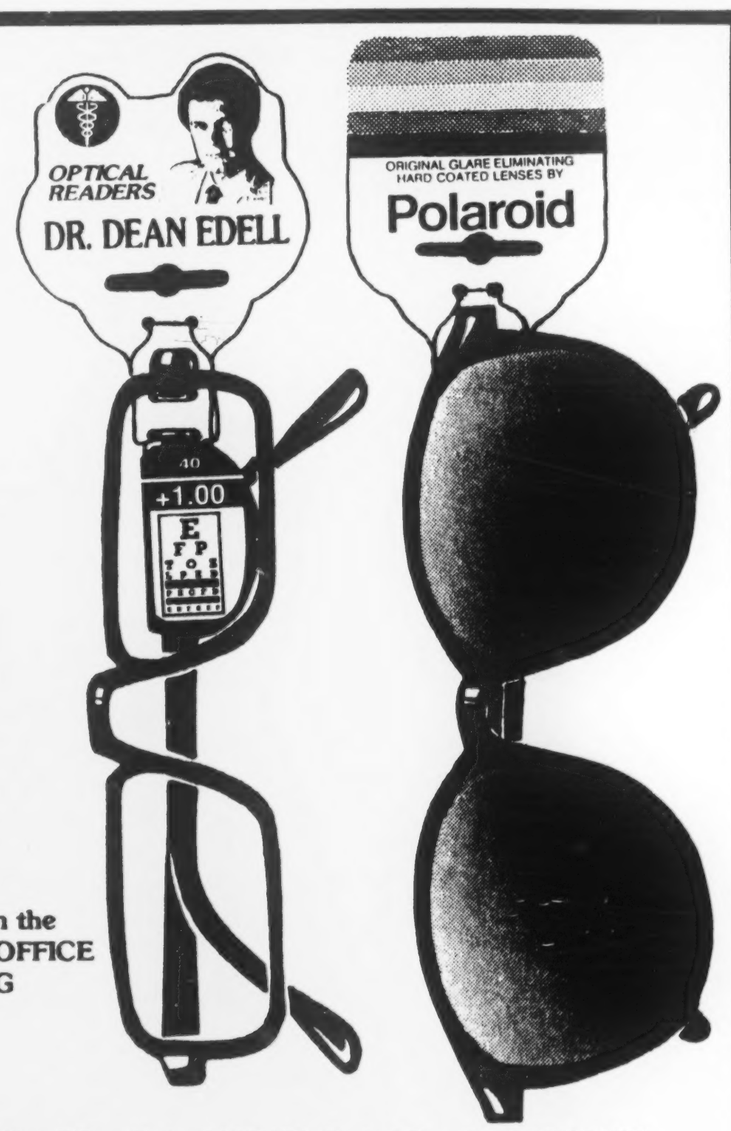
Plus, Pennsylvania Optical is offering four new displays in two merchandising options (side hooks for dense stocking and half moon for a less dense presentation). The vendor's floor units accomodate 120 to 180 pieces.

Fashion is vision for reading glasses

Fashion is fueling reading glasses as baby boomers' vision dims, but their fashion sense remains in clear focus. Here's a sample of the wide range of products manufacturers are offering:

- Pennsylvania Optical offers several lines segmented to different markets. Essential Eyes is a value line retailing at $10 to $14. Foster Grant Spare Pair retails at $8 to $22. The two high-end lines, Roberto Morelli and Studio Optique, retail between $30 and $35.
- Opti-Ray offers a fashion line with a selection, appearance and quality similar to glasses found in optical stores but at a price range between $14 and $22.
- Magnivision offers the Single Vision line priced at $14, a line of gradiant tinted bifocals priced at $18 and the Gold Collection, which features spring-hinged frames, for $24.
- Personal Optics has a mid-priced line of metal and plastic frames priced at $9.99 to $11.99 and the DK Select, a fashion line with frames ranging from $14.99 to $17.99.
- Select-A-Vision is offering a wide-range of fashion styles in all strengths. The company also offers accessories.

LOOK AT THIS!
CABLE CAR SUNGLASSES
has received NOTICE of ALLOWANCE from the UNITED STATES PATENT and TRADEMARK OFFICE for the pictured VERTICIAL HANG TAG FOR DISPLAYING EYEGLASSES.



(Series Code/Serial No. 07/713,825 - Filing Date 6/12/91, Dated Received 1/28/92).

Are You Tired Of The Same Old Generic Looking Reading Glass Programs? Your Customers Are Too!

Look At What *Read•y•vision* Has To Offer You:

**Depth of selection within style groups build multiple impulse sales.

**Unique mix of everyday basics with the latest fashion looks fulfills the needs of today's fashion and value-conscious consumer.

Let your *Read•y•vision* representative show you the complete sales and service program. Call 800-367-8867 for the *Read•y•vision* representative in your market!

Read•y•vision

FORRESTER & VOS CO.
3835 Vernon Street, Long Beach, CA 90815

For extra profits, **display** & **recommend** with **suncare** products.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Drug Emporium sustains losses for 1992 FY

COLUMBUS, Ohio — As expected, Drug Emporium posted a net loss for its 1992 fiscal year after weathering an economic downturn and lowered gross margins and costs related to franchise operation buyouts.

For the period ended Feb. 29, 1992, the nation's second-largest deep discount drug chain lost $4.7 million vs. net income of $6.6 million the previous year. Reflecting greater corporate contributions from previously franchised units purchased by Drug Emporium, net sales were up 20 percent to $746 million in corporate-owned units for the year.

The results include a $4.8 million restructuring charge and a $2.4 million increase in fourth-quarter SG&A expenses related to underperforming stores marked for closing or relocation, the company said. Those changes are part of a company-wide restructuring aimed at centralizing buying, accounting and other functions and consolidating the field operations network into fewer regional offices.

"Management has devoted a great deal of effort over recent months to refocusing the business on serving the customer . . .very efficiently," said ceo Gary Wilber. "Our restructuring process continued into the first quarter of the new year, but we do expect to benefit in subsequent quarters as our stronger organization begins to strengthen margins and profitability."

In a financial statement, the company blamed its decreasing margins on its "determination to maintain and grow market share in several of its operations (primarily its Atlanta market) through a more aggressive pricing policy initiated in the second half of fiscal year 1991." It added, however, that "management does not anticipate this margin decline to continue."

Jean Coutu in fighting posture despite tough economic climate

By James Frederick

MONTREAL — Shrugging off what it called "unfavorable" economic conditions, The Jean Coutu Group (PJC) squeezed out a healthy gain in sales and earnings for the first nine months of its current fiscal year. Quebec's dominant drug chain also went aggressively after real estate opportunities in the past year, belying the tough climate for real estate development in Canada.

For the first three quarters, PJC boosted revenues 20.2 percent to $556.6 million (Canadian). Net earnings were up a healthy 9.5 percent, to $26.1 million.

Coutu's American operation, Douglas Maxi Drug, contributed $72.5 million to total sales and more than $700,000 (Canadian) to Coutu's bottom line. Coutu has gained a solid foothold in the Northeastern U.S. through the subsidiary, which operates 21 large-scale, discount drug and general merchandise outlets in Rhode Island, Massachusetts and Connecticut.

"Management expects [Douglas Maxi Drug's] profitability to increase considerably by the end of the year, given the growth in business volume recorded in December and January, and the fact that the integration and rationalization program has for the most part been completed," noted Coutu in a statement earlier this year.

"We are going to capitalize on the visibility and reputation of the Douglas Maxi Drug outlets to promote the opening of new pharmacies, first in Rhode Island, and later in the other states where we are already present," Coutu noted.

Other goals for the U.S. stores: to improve and standardize purchasing, pricing and control policies; enhance product selection; and boost promotional efforts in seasonal merchandise, beauty products and pharmaceuticals.

Coutu also remains aggressively poised for an upturn in Canada's economy. The chain has boosted its store total in Canada to 199 units. What's more, Coutu has developed a new, smaller-store format and is wedging those bantam units into "secondary markets in Quebec and the Maritimes," according to a recent statement.

MARKET DIARY:

Largest Dollar Gainer	Pfizer Inc.	$ 6.38
Largest Dollar Loser	Barr Laboratories	$ – 7.13
Largest Percentage Gainer	Zenith Labs	22.73%
Largest Percentage Loser	Barr Laboratories	–41.01%

Advances	31
Declines	23
Unchanged	8
New highs	1
New lows	7

	Close 4/20/92	Close 5/5/92	Net Change	Percent Change
Drug Store News Index	4769.98	4808.28	38.31	0.80
Dow Jones Industrial Average	3336.31	3359.34	23.03	0.69
Standard & Poor's 500-Stock Index	410.16	416.84	6.68	1.63
N.Y.S.E. Composite	225.77	229.50	3.73	1.65
Value Line Index	252.78	256.61	3.83	1.52

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 4/20/92	Closing Price 5/5/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.25	5.13	– 0.13	– 2.38	27	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	21.75	19.38	– 2.38	– 10.92	21	0.12	0.62	25.25	16.25
OTC	Big B	BIGB	14.13	14.75	0.63	4.42	17	0.20	1.36	16.25	10.63
OTC	Drug Emporium	DEMP	7.75	7.75	0.00	0.00	—	0.12	1.55	9.25	5.50
NYS	Fay's Inc.	FAY	9.50	9.50	0.00	0.00	17	0.20	2.11	15.25	8.25
ASE	Genovese Drug	GDX.A	10.25	10.25	0.00	0.00	10	0.24	2.34	14.75	9.75
NYS	Longs Drug Stores	LDG	34.38	34.50	0.13	0.36	13	1.08	3.13	44.38	33.13
OTC	Medicine Shoppe	MSII	23.75	26.25	2.50	10.53	19	0.36	1.37	30.75	19.00
NYS	Perry Drug	PDS	9.00	8.50	– 0.50	– 5.56	12	0.00	0.00	11.63	5.88
NYS	Rite Aid Corp.	RAD	21.38	21.63	0.25	1.17	15	0.52	2.40	23.75	17.25
NYS	Walgreen Co.	WAG	34.50	32.75	– 1.75	– 5.07	19	0.52	1.59	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	21.13	21.50	0.38	1.78	16	0.40	1.86	23.91	16.00
OTC	Bindley Western Ind.	BIND	14.63	15.38	0.75	5.13	9	0.04	0.26	20.75	13.50
OTC	Cardinal Distribution	CDIC	26.00	27.75	1.75	6.73	22	0.08	0.29	38.75	22.50
OTC	Durr-Fillauer	DUFM	23.50	23.50	0.00	0.00	16	0.28	1.19	34.75	17.50
NYS	FoxMeyer Corp.	FOX	12.88	13.75	0.88	6.80	15	0.28	2.04	16.63	10.75
NYS	McKesson Corp.	MCK	32.88	32.13	– 0.75	– 2.28	35	1.60	4.98	40.13	32.13
ASE	Moore Medical	MMD	6.75	7.00	0.25	3.70	23	0.00	0.00	7.88	3.00
NYS	Owens & Minor	OMI	18.00	18.00	0.00	0.00	18	0.24	1.33	24.25	12.34
Manufacturer's transactions											
NYS	Abbott Labs	ABT	63.25	66.75	3.50	5.53	25	1.20	1.80	69.75	48.38
NYS	American Home Products	AHP	76.13	78.63	2.50	3.28	17	2.60	3.31	86.25	57.75
ASE	Barr Laboratories (L)	BRL	17.38	10.25	– 7.13	– 41.01	22	0.00	0.00	37.50	10.25
NYS	Baxter International	BAX	36.63	37.50	0.88	2.39	18	0.84	2.24	40.88	31.50
OTC	Block Drugs Co. (L)	BLOCA	53.50	49.50	– 4.00	– 7.48	16	0.88	1.78	61.00	48.88
ASE	Bolar Pharmaceutical	BLR	9.63	9.88	0.25	2.60	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb (L)	BMY	73.63	76.50	2.88	3.90	19	2.76	3.61	90.13	71.88
NYS	Carter-Wallace	CAR	89.25	84.75	– 4.50	– 5.04	28	1.00	1.18	137.50	60.13
ASE	Columbia Labs	COB	7.75	7.50	– 0.25	– 3.23	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	21.88	21.63	– 0.25	– 1.14	16	0.28	1.29	24.38	15.38
ASE	Forest Labs	FRX	31.75	34.00	2.25	7.09	32	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	5.81	6.75	0.94	16.12	26	0.00	0.00	9.75	4.56
NYS	ICN Pharmaceutical	ICN	14.50	13.38	– 1.13	– 7.76	25	0.00	0.00	25.38	4.63
ASE	Lee Pharmaceutical	LPH	1.25	1.50	0.25	20.00	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.88	14.88	0.00	0.00	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co. (L)	LLY	69.75	69.13	– 0.63	– 0.90	15	2.20	3.18	87.75	67.13
NYS	Marion Merrell Dow	MKC	34.50	34.88	0.38	1.09	16	0.92	2.64	39.00	27.25
NYS	Merck Co.	MRK	144.38	147.75	3.38	2.34	26	2.76	1.87	169.75	113.25
NYS	Mylan Labs	MYL	34.38	35.75	1.38	4.00	33	0.20	0.56	43.25	22.00
NYS	Novo-Nordisk	NVO	84.38	86.00	1.63	1.93	19	0.60	0.70	96.00	61.75
OTC	Nutramax Products	NMPC	10.63	10.00	– 0.63	– 5.88	25	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	66.50	72.88	6.38	9.59	33	1.48	2.03	87.00	54.00
NYS	Pharmaceutical Resources	PRX	6.13	5.75	– 0.38	– 6.12	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	53.25	54.00	0.75	1.41	22	0.64	1.19	69.38	40.50
NYS	Schering Plough	SGP	53.25	55.00	1.75	3.29	17	1.56	2.84	68.00	48.88
NYS	Syntex Corp.	SYN	42.63	45.63	3.00	7.04	23	1.04	2.28	56.00	36.75
OTC	Taro-Vit Industries	TAROF	10.25	10.25	0.00	0.00	85	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	24.88	23.75	– 1.13	– 4.52	24	0.20	0.84	28.38	11.75
NYS	Upjohn Co. (L)	UPJ	35.25	37.25	2.00	5.67	12	1.36	3.65	47.88	34.38
NYS	Warner-Lambert (L)	WLA	61.63	63.88	2.25	3.65	52	2.04	3.19	79.25	60.25
OTC	Zenith Labs	ZENL	16.50	20.25	3.75	22.73	—	0.00	0.00	24.25	7.00
Other retailer transactions											
NYS	Albertson's	ABS	44.63	41.75	– 2.88	– 6.44	22	0.64	1.53	47.75	32.75
NYS	American Stores	ASC	33.63	33.13	– 0.50	– 1.49	10	0.68	2.05	43.94	26.00
NYS	Giant Food (L)	GFS.A	21.13	21.00	– 0.13	– 0.59	14	0.68	3.24	30.38	20.38
NYS	Great Atlantic&Pacific Tea	GAP	34.13	32.63	– 1.50	– 4.40	18	0.80	2.45	48.00	25.00
NYS	Kmart	KM	49.75	49.75	0.00	0.00	13	1.84	3.70	55.00	38.13
NYS	Kroger	KR	18.50	17.75	– 0.75	– 4.05	14	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	48.75	50.63	1.88	3.85	16	1.48	2.92	55.25	38.25
OTC	Fred Meyer	MEYR	25.63	25.50	– 0.13	– 0.49	14	0.00	0.00	29.25	16.00
NYS	Penney, JC (H)	JCP	63.50	66.50	3.00	4.72	17	2.64	3.97	67.88	47.13
NYS	Safeway	SWY	14.88	15.88	1.00	6.72	28	0.00	0.00	20.25	14.38
NYS	Smith's Food & Drug	SFD	36.88	36.38	– 0.50	– 1.36	22	0.44	1.21	43.25	30.25
NYS	Wal-Mart	WMT	52.88	52.00	– 0.88	– 1.65	37	0.20	0.38	59.88	39.88

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December —by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 10 May 18, 1992

DRUG STORE NEWS®

VOL. 2/NO. 5 | The Journal of Retail Pharmacy | MAY 18, 1992

NEWS FOCUS

• **Is FDA's "Alert List" really an anti-generic black list? That's what lawyers for Barr Labs allege in a new lawsuit challenging FDA tactics for delaying approvals for the company's ANDAs. According to the complaint, FDAers have placed Barr on an unauthorized and illegal "Alert List" that prevents generic manufacturers from securing new drug approvals, selling products to federal agencies or even improving their manufacturing procedures. Among the more than 80 new Barr drug applications which company officials say are being improperly blackballed by FDA's "extra-legal" procedures: a generic version of the pricey AIDS drug AZT—a product for which Barr has already received a license from the National Institutes of Health.**

• **Talk about the need for counseling as reported in our cover story, the just released Schering Report XIV, "Improving Patient Compliance," notes a decrease in drug counseling by doctors and pharmacists which is contributing to the nation's $750 billion health care bill. Disturbingly, the rate of medication advice surveyed patients received from either their doctor or pharmacist fell from that reported in 1987. The report suggests this lack of counseling contributes to the non-compliant 8.7 percent who fail to have their new scripts filled. The cost to retail drug stores: $51,000 a year per store. .**

Pharmacists get consultation wake up call

Today's pharmacists say they want more communication with patients, but who's got the time? What happens next year when Medicaid's "OBRA" rules mandate patient counseling? Will third parties pay for patient consultations? Or will pharmacists who shirk their "duty to counsel" risk a new liability nightmare? Cover story begins on page 17.

Legal Limit law column debuts 36

3-credit AIDS CE lesson 41

for the PHARMACIST

DRUG STORE NEWS for the PHARMACIST

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

Publisher **JILL MANEE**
Editor **BRUCE BUCKLEY**
Pharmacy Editor **DIANNE THARP, R.Ph.**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

REGIONAL SALES OFFICES

New York (212) 756-5220
Nat'l Accounts Manager: **Larry Krongold**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Area Manager: **Amanda Cimon**

Art Director **Bob Brokman**
Graphic Artist **Cate Johnson**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION AND CE
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director **Matthew J. Clancy, Sr.**
Nat'l Director of Field Marketing & Circulation Services **Jim Dickson**
Circulation List Manager **Terry Burdick**
CE Administrator **Latara Clements**

Board of Pharmacy Advisers
Clarence Archer Wal-Mart
Marty Belitz Shoppers Drug Mart
Len DeMino NACDS
Phillip R. Engle Bergen Brunswig Corp.
Robert King FoxMeyer Corp.
Howard Kramer Kmart Corp.
Tom Simone McKesson Corp.
Saul Schneider K&B Inc.
Al Sebok Revco D.S. Inc.
Bob Shapiro Perry Drug Stores Inc.

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Treasurer **Daniel J. Mills**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Publisher of Accounting Today, Drug Store News, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

editor's note

Ask and you shall receive. . . well, we'll do our best

In an attempt to be more responsive to your needs, we began a series of regional pharmacist panels to keep in touch with issues important to the practicing community pharmacist. The first panel* met in New York in January; the second, in San Diego, in March. We hope to visit other areas of the country throughout the year. If you are interested in participating in future panels, drop me a note.

When queried about the most important issue facing their practice today, third-party issues won hands down. Mail Order Pharmacy Service and preferential pricing, the new Pharm.D and what will happen to B.S. pharmacists re: grandfathering and reimbursement for pharmacist cognitive services, were also high on the list of critical issues.

In addition to expanded editorial coverage, you'll see the results of these panel discussions in new departments starting with this issue. "Managed Care" will address third-party concerns; "Legal Limits" is a new law column that starts this month; "Ask the Expert" will be a new column next month that will attempt to answer your questions about business/merchandising problems you might have. (A panel member suggested he doesn't just want to read about problems but wants to read about solutions, so send in your problems—we'll try to help.) And our bimonthly technician training series was so well received that it will pick up where it left off starting next month. Let us know what you think.

* * *

* *Drug Store News* would like to thank our pharmacist panel members.
N.Y. panel: Luigi DiBoni and Jerry Cohn, New Jersey; Craig Schury, Pennsylvania; Howard Levine, Herb Mindlin, Bruce Greenwald, Allen Itzkowitz and Ken Hoffa, New York.
Calif. panel: Bob Armstrong and Roberta Armstrong of Michigan, Henry and Tracy Smith, and Ginger and Al Lockamy of North Carolina.

Dianne M Tharp

contents

Answering the consultation wake up call

DUR and OBRA will require it and NACDS found it the single most important role for tomorrow's pharmacist. But how do pharmacists know they are doing enough counseling and doing it properly? **Page 17**

Therapeutic skin care

Teens' continued obsession with clear skin and aging baby boomers' need to restore skin moisture translate into swift sales. **Page 28**

News & trends 3
Letters 6
Regional recap 8
Entrepreneurial pharmacist 10
Exec view 14
Third-party news 24
Drug watch 27
Otc merchandiser 28
Association news 34
Law column 36
New products 39
Continuing education 41

Corrections: In the April 20 issue of *Drug Store News For The Pharmacist*, the photograph of a drug information kiosk on page 36 was taken at Phar-Mor in Littleton, Colo. The Pharmacy Power Players chart on page 34 should show Kmart in fourth position with 1,400 pharmacies and 2,255 U.S. stores.

Teens, aging boomers to boost skin care market

Acne products move into a strong uptrend, while an aging population and shift in baby-boomer activities indicate potential growth in dry skin and contact dermitis medications. Acceleration of Rx-to-OTC will result in increased OTC counseling for these categories.

Since the skin is the largest organ of the body, it's not surprising that pharmacists are frequently asked questions about topically applied dermatologicals. The need for OTC counseling is certain to increase as more medications with additional active ingredients and dosage levels move from prescription to OTC status. In addition, the trend toward more multi-functional products, along with consumer uncertainty about dosage forms and varying strengths, means there are sure to be more bewildered consumers needing a pharmacist's advice.

Cost is a factor, too. More consumers will seek self-medication for minor dermatological problems to avoid the cost of rising deductibles and the inconvenience of visiting a physician. In the short-term view, the current recession, and in some cases loss of health insurance by the unemployed, encourages more self-medication.

The predictable demographics of the baby boomers (born from 1946 to 1964) and its "boomlet" offspring points toward an increasing demand for dry skin products for a swelling older population. One that will become increasingly prone to dry, scaly skin and skin infections. At the same time the growing number of adolescents is expected to boost the anti-acne and antibiotic markets in the U.S.

Severely dry skin

An aging population means more demand for products to treat dry skin, and that means questions ranging from "will this work on my hands (or elbows or heels)" to "is this greasy?"

At Maple Pharmacy in Farmington Hills, Mich., Sheldon Rich keeps a section of therapeutic skin care products in the pharmacy area, as he explains, "so when a customer asks, the pharmacist can recommend rather than walk to the shelf." The regular section is also signed "Ask the pharmacist."

Kathy McCarthy at Drums Pharmacy in Westminster, Calif., who does well with Basis, Moisturel, Eucerin and Purpose, says "I've seen dermatologists give patients a list of products and say 'Use one of these.' "

Women are the biggest consumers of therapeutic dry skin medications and since a high percentage of baby-boomer women hold jobs outside the home, a convenient dosage form is important for patient compliance. Ray Figueroa, director of research and development of Baker-Cummins ventures: "The issue in the dermatological area, especially in medicated skin care therapy, is that a smelly ointment isn't always conducive to patient compliance." He notes that today's formulations, such as Ultraderm, have overcome that historic drawback.

Buyer Robin Koon at Newport Beach, Calif.-based Horton & Converse (H&C) says, "Keri has dropped—we've seen it drop because new competition is not as greasy. People who have to work hate greasy products even though it is a very good product." On the other hand, at Boatwright Drug in Millington, Tenn. Steven Boatwright says Keri lotion is still a leader along with Lubriderm.

Koon notes that Penederm is moving well because it is being promoted to dermatologists who then recommend it to their patients. Koon reports that he also does well with Eucerin and Moisturel and sells pound jars of both Eucerin and Aquaphor. In New York City, Morty Ginsberg of Perla Pharmacy is pleased with the performance of Theraplex from Medici Pharmaceutical, and says "We've recommended the product and we've had some nice results."

Product innovations

The skin's effective-barrier properties challenges dermatology to improve delivery of topically applied products without inducing irritation. The American Academy of Dermatology reports a recent study showing that alpha-hydroxy acids (AHA), such as lactic acid, not only moisturize the skin but also make the stratum corneum more resistant to potential irritants.

Lac-Hydrin Five, from Westwood-Squibb for severely dry skin, offers an ammonium lactate formulation that penetrates to the dermal layers to help cell growth and the production of keratin.

A further example is the new product from Penederm, Pene-Care Cream and Lotion, which contains lactic acid and other emollient materials delivered by a new topical delivery system, Topicare Delivery Compounds, which utilizes polymeric molecules. According to Penederm, the system does not penetrate through the skin, but remains near the surface, creating a reservoir while aiding delivery of other agents into the skin. Introduced in California last year, this product will be available nationally later in 1992.

Another unique formulation in Pen-Kera cream from B.F. Ascher & Co. utilizes a keratin binding factor (poly-amino sugar condensate and urea), which, upon application, is absorbed into the skin and binds with the keratin structure.

Figueroa calls its Ultramide-25 the "most innovative" product in their line. It contains 25 percent urea, a mild keratolytic and softening agent for very dry skin, especially on feet and elbows.

This year, Vaseline Intensive Care will be targeting the re-

Continued on page 30

Growth & forecast sales of OTC topical medications

(Millions of manufacturers' dollars)

	1988	1990	1995
Acne medications	150	160	181
Hydrocortisone topicals	52	56	80
Antiseptics and anesthetics	87	97	110

Source: Frost & Sullivan.

Major trends in OTC topical medications

From:	Toward:
Some Rx-to-OTC	More Rx-to-OTC
Single or few active ingredients	More multiple active ingredients
Traditional concentration of active ingredients	Stronger formulations
Standard containers with traditional packaging	More innovations in packaging such as single use containers
Single indications such as poison ivy remedy	Several broad indications, such as the relief of itching
Some consumer advertising	More consumer education through advertising and promotion
General products	More items targeting well focused niches

Source: Frost & Sullivan.

Aging boomers, teens to boost skin care market

Continued from page 28

ported 66 percent of women who use skin lotion before bed with its new product, Vaseline Intensive Care Overnight Moisture Treatment Cream, formulated to provide six to eight hours of uninterrupted moisture therapy.

On the other hand, marketers agree, another consumer segment has barely been tapped—the male market for dry skin treatment, which has solid potential in the burgeoning 40-plus demographic group. So far, report pharmacists queried by *Drug Store News,* men infrequently seek dry skin treatment.

Drums' McCarthy notes that one of her male customers, who said he drives with his arm exposed through the open window, asked advice for a skin medication for rough elbows. It's up to the marketers whether more aging men will seek skin products for weather-roughened skin, but so far McCarthy says: "Most men out there don't care—but some of them do."

Acne on the rise

"The teen market is huge because they're all going through it," observes Peter Nalen, product manager for Johnson & Johnson's Purpose products. In the latest study from Nielsen Market Research, acne medications reached $238 million at retail in 1991, for a 2 percent rise over the previous year. More striking is this category's projected growth relative to other types of dermatological medications: Market Intelligence Research Corp. shows growth in the U.S. anti-acne market from 8.2 percent of all dermatology medications in 1987 to a projected 25 percent by 1993, up to 34.5 percent by 1997.

Drug stores still command the largest acne market share at $105 million in 1991 (compared with $99 million in food stores and $35 million in mass merchandise outlets) although drug stores lost 1.4 percent of share last year, largely to gains by mass merchandisers.

Latch-key children of working parents learn about independence at an early age, and are likely to select their own acne products, especially since studies show that acne is most widespread around age 17 when many teens are able to drive and shop on their own. "Kids go by brand," says Perla's Ginsberg.

Although a year-round market, OTC acne medication awareness is heightened each year when major brands like Clearasil launch their spring campaigns. Last month, Clearasil's big spring-break promotion, backed by national TV and print ads, ran with a save-the-earth theme: "keep the hope alive." The message had a second meaning for kids with troubled skin who are facing prom and graduation season.

At Horton & Converse—where the acne prep category is very steady—Koon reports that Clearasil still leads the pack followed by Noxzema and says both scrubs and pads are doing well. Noting that introductions of late have been line extensions he says, "I'd like to see someone come out with something new."

McCarthy says young customers often buy the wrong OTC acne medications, such as the girl with very dry skin who was about to purchase a drying astringent until McCarthy recommended that she use a hypoallergenic cleanser instead. She advises that patients try a 5-percent benzoyl peroxide treatment "because benzoyl peroxide can irritate. If it doesn't, they can go to 10 percent," says McCarthy, who also recommends gels over lotions for better penetration. McCarthy and Rich agree that most teen acne customers do not keep skin clean enough. "I usually recommend Basis soap or Neutrogena," says Rich.

Teens are not the only market for acne medication. In a recent acne update from the American Academy of Dermatology, it was reported that the number of female patients with adult acne is on the rise. Industry studies show that 83 percent of women between 18 to 40 suffer from recurring acne. Reasons for the increase include workplace stress and use of oral contraceptives. This market has not yet been reached effectively, since acne products are designed for teenagers with oily skin, whereas skin of more mature women still needs moisturizing.

Most OTC acne products include benzoyl peroxide, which is under review by the FDA but recently was deemed safe to sell (see box). Acne therapy, however, can cause dry skin. Purpose, from Johnson & Johnson, addresses the side effects of prescription remedies for acne with active ingredients such as tretinoin, which cause redness and dryness and can discourage compliance. Patients undergoing this therapy, when refilling a prescription, sometimes mention to the pharmacist that they are experiencing discomfort. J&J's Purpose line includes a moisturizer formulated to aid compliance with acne therapy.

The anti-itch/anti-rash market is segmented by type of active ingredient and indication.

Contact dermatitis

Hydrocortisone, through its anti-inflammatory action, is used for itching due to minor skin irritation caused by anything from insect bites and poisonous plants to detergents, cosmetics and jewelry. It represents the strongest growth segment in the itch/rash market, with retail sales of over $100 million in 1991.

Koon, who merchandises all itch remedies in first aid, reports that the new hydrocortisone 1-percent products—Cortizone 10 and Maximum Strength Cortaid—are "doing just great." He's seen the half-percents "plummet" after introduction of the stronger product. ■

FDA decides acne preps are safe to sell

After three decades as an active ingredient in many OTC acne medications, benzoyl peroxide is under FDA scrutiny for possible carcinogenic effects. In mid-April, following the advice of medical experts who maintain that benefits outweigh risks, the FDA determined that benzoyl peroxide could remain on the market pending further animal studies.

Products with the ingredient, such as Clearasil, Benoxyl, and Oxy-5 and -10, account for around one third of a market totaling $238 million in 1991, according to Nielsen Marketing Research.

The safety question arose when studies determined that laboratory rodents developed cancerous tumors when benzoyl peroxide was applied to the skin or taken orally. Experts have argued that the experimental dosages were thousands of times the amount a human could take in a lifetime. Medical advisers told the FDA panel that if the widely used ingredient should require a prescription, physician's offices would be swamped with patients.

FDA spokesperson Sharon Snyder told *Drug Store News* that long term studies would take around three years, followed by another year to analyze results. At the time of the April hearing it was decided that a warning would be added to labels of this group of OTC products "to alert consumers that there are some concerns about this drug and it is under study," said Snyder. The next step will be to draft the wording, which will probably add one sentence to current labels. Snyder explained that products would not be recalled over the label change and those with old labels could still be sold. ■

The newspaper of drug store retailing

June 8, 1992

DRUG STORE NEWS

Vol. 14 No. 11

A Lebhar-Friedman publication

PE selling Thrifty Corp. units

Most management to stay, $275M price tag

Fay's cuts costs to beef up profits

By Barbara White

LIVERPOOL, N.Y. — On the heels of a sluggish first quarter, Fay's has announced some new cost cutting measures to offset the shrinking margins that are eroding profitability.

The chain intends to reevaluate its promotional program with an eye to streamlining. "We'll be looking at how we distribute our promotional circulars and to what degree we promote in each piece," said Daniel O'Leary, Fay's president and ceo.

The chain is also experimenting with a number of other measures. For example, price removal is being tested in a limited number

See **Fay's** *page 37*

PayLess, Pay 'n Save at a glance

Name: PayLess.
Store count: 413.
Size: 36,000 sq. ft. (26,000 selling space).
Sales: $1.89 billion 1991
Markets: Washington, Oregon, Idaho, Colorado, California, Utah, Nevada, Wyoming, Arizona, Montana.

Name: Pay 'n Save.
Store count: 124.
Size: 20,000 sq. ft. selling space.
Sales: $547 million estimated.
Markets: Washington, Alaska, Idaho, Hawaii.

PayLess signs to acquire Pay 'n Save . . .

By Allene Symons

WILSONVILLE, Ore. — PayLess Drug stands to enter two new states—Alaska and Hawaii—and gain solid fill-in market penetration with its proposed Pay 'n Save acquisition of 124 stores and an Oregon distribution center, all of which will be operated under the PayLess name.

The sale is still subject to contingencies, although Thrifty sources say terms have been agreed upon, along with an as-yet undisclosed price.

Once concluded, the sale would push both PayLess and parent company Kmart into a higher chain size ranking. Kmart is already ranked second in pharmacy chains with around 1,400 locations in addition to 413 sites for PayLess.

See **PayLess** *page 37*

Proposed takeover of 124 Pay 'n Saves will put PayLess in Hawaii and Alaska, and build its presence in Seattle.

. . . as investor groups take Thrifty

LOS ANGELES — Holding company Pacific Enterprises has agreed to sell the assets of its Thrifty Corp. retail subsidiary to two different buyers. The 620-store Thrifty Drug chain, Bi-mart member discount stores and three other non-drug retail units will be acquired by L.A.-based investor group Leonard Green & Partners.

Green is expected to retain Thrifty's top management, headed by chairman and ceo William Yingling. According to Chris Bement, Thrifty spokesperson, some Thrifty Corp. senior management will participate in the buyout as part of the Green & Partners group. The Green group purchase is structured in a two-deal arrangement with Big Five sporting goods chain as a separate entity owned by Green & Partners, while Thrifty Drug and the three other chains will continue under the Thrifty Corp. name as a privately held company.

In a second deal, the Oregon-based PayLess Drug subsidiary of Kmart intends to pick up Thrifty's 124-store Northwest chain, Pay 'n Save Drug. If the deal is finalized, this would elevate the Kmart and PayLess pharmacy count to over 1,800 in a solid second place behind Rite Aid. Both transactions are slated to close in 90 days. "We expect

See **Thrifty** *page 37*

Thrifty, Bi-Mart at a glance

Name: Thrifty Drug Stores.
Store count: 620.
Size: Thrifty Drug 19,000 sq. ft. (16,000 selling space).
Sales: $1.9 billion estimated for Thrifty and Thrifty Jr.
Markets: Alaska, California, Hawaii, Idaho, Nevada, Arizona, Washington, Oregon.

Name: Bi-Mart, Inc.
Stores: 42 membership/discount.
Size: 33,000 sq. ft.
Sales: Not available.
Markets: Oregon and Washington.

LATE NEWS

•MAPLE HEIGHTS, Ohio — Twin Valu will debut a fourth giant combo here in mid-July, following the Super Valu division's third opening in nearby Canton in late April. Twin Valu stores combine a ShopKo discount store, pharmacy and Cub Food store in a 180,000-square-foot setting.

•TROY, Mich. — Arbor Drugs chalked up records in its third quarter ended April 30. Net income rose 19.8 percent to $3.3 million, thanks to tight expense controls and a 19.5 jump in net sales. Same-store gains were 13.3 percent.

•ROCHESTER, N.Y. — Wegman's Food Markets, Inc. is planning to expand into Pennsylvania in 1993. Wegman's first combo stores in this new market will be Erie and Scranton.

FEATURES

Drug chains battle for ethnic dollars

Drug chains must play up their strong suits to grab a share of the ethnic market from tough competition. **Page 13.**

IRI report: HBA hot movers

Watch for similarities and differences among the top 30 HBA items at drug chains and supermarkets. **Page 11.**

Longs targets growth despite tough times

WALNUT CREEK, Calif. — Despite disappointing earnings and sharp competition in its six state market, Longs president Steve Roath told shareholders at the company's recent annual meeting that tough times add up to "ample stimulus for improving the efficiency and effectiveness of our operations."

The chain is primed for expansion opportunities beyond its current 267 stores and has 25 store sites in development. Roath also announced testing of a home delivery program.

With the chain's strong financial footing and low debt, Roath stated that "anticipated cash needs will continue to be financed from internal cash flows, without the need for any significant outside financing." In the recently ended fiscal year, cash flow rose from $54 million to $92 million on sales of $2.36 billion. Central to Longs' operational thrust is its POS scanning and retail information system. Last spring, Longs had five integrated test stores with the combined POS scan and RIS system. Currently, 90 stores are on the system and Longs has bumped up its projection to a total of 170 stores to be installed by year's end.

According to Roath, initial benefits include improved turns through reduction of slow-turning SKUs, lowered labor costs from simplified price changes and less price marking. The chain reports that both increased customer service and labor savings are resulting from faster checkouts on the POS system, enabling a reduction of 7 to 10 percent in the number of registers needed in each store.

Under Longs' policy of autonomous buying at store level, managers are beginning to

See **Longs** *page 37*

BEIHESDA MD 20814
4520 E W HWY
CONSRESSL INFO SVC
ATTN: SRI
01244457 DR 9313 005/02022
********** 3-DIGIT 208

SECOND CLASS

NEWS IN BRIEF

Albertson's makes site improvements

BOISE, Idaho — Albertson's plans to beef up its general merchandise and HBA departments using the extra distribution clout of its new GM warehouse in Ponca, Okla., acquired this year from American Drug. In other news from Albertson's May stockholders meeting, the grocery-drug chain said it is converting several Southern California sites from Albertson's to a food-drug discount format, Grocery Warehouse.

Vons to launch new combo prototype

ARCADIA, Calif. — The Vons Companies is drafting a new 75,000-square-foot food and drug prototype, and expects to have final plans in the next few months, Vons president and chief operating officer Dennis Eck told *Drug Store News* after the company's recent shareholders meeting.

Eck said Vons is looking at Southern California sites in La Habra in the Los Angeles area and Simi Valley in Ventura County.

Shoppers posts gains in first quarter

TORONTO — Shoppers Drug Mart posted earnings of $18.8 million on sales of $716 million for the first quarter ended April 30. Earnings were up 4 percent over the same period a year ago; comparable store sales increased 4 percent.

Genovese rolling out Symbol scanners

MELVILLE, N.Y. — Genovese is continuing to roll out slot scanning in all stores, as reported in the May 4 issue. The chain is equipping two stores per week with Symbol slot and handheld scanners. The cost is estimated at $800,000, part of an $8 million upgrading that includes the installation of software.

Kash n' Karry's ecology efforts lauded

TAMPA — Kash n' Karry, operator of 112 groceries throughout Florida, received two awards recently for its environmental awareness efforts: the first ever Florida Governor's Environmental Education award in the corporate category for its educational programs, and a communications award from Keep Florida Beautiful, Inc. Kash n' Karry educates consumers with a storewide environmental shelf-tagging system that promotes recycled, recyclable, reusable and source-reduced products.

Floor space increased for SHOPA show

CHAPEL HILL, S.C. — SHOPA is planning to expand the show floor space for its 1992 show in New Orleans (December 9 to 12) by 60 percent to accommodate the increased demand for booth space. An increase in the number of exhibitors plus the demand from previous exhibitors for expanded space prompted SHOPA to expand the space of this year's show.

Revco names new regional director

TWINSBURG, Ohio — Revco D.S. has promoted Hanley Wheeler III to regional director of operations for the Southern region. Wheeler will replace Bobby Tamplin, who was recently named regional vp.

A pharmacist and 11-year Revco veteran, Wheeler will direct operations of 10 districts and 199 stores in Georgia, Tennessee, North Carolina and South Carolina. He last served as a director of store operations in the home office.

IN THIS ISSUE

FEATURES

Format of the Month: Rx Place . . . 6
IRI Report 11

HEALTH AND BEAUTY AIDS

Ethnic Care 13-28

COSMETICS AND FRAGRANCES

Beauty Beat 33
Category in Motion 33

DEPARTMENTS

Opinion
In the Market 4
The Human Side 4
People in the News 34
Supplier News 36
Finance 38

Kroger keeps sharp focus on improving food/drug combos

By James Frederick

CINCINNATI, Ohio — Kroger Co. will continue to focus its resources and distribution capabilities on its powerful food/drug combos as the main vehicle for growth in the 1990s, chairman and ceo Joe Pichler said at the company's annual meeting here May 21.

"Kroger's core merchandising concept is the combination food and drug store," Pichler told several hundred shareholders and employees. "Our combination stores have weathered a number of economic swings, plus an army of competitors."

Added company spokesman Paul Bernish, "I don't think we're building any new stores without a pharmacy."

Despite the fiscal constraints imposed by its massive, $4.5 billion debt load, Kroger is spending heavily in technology to make its combos more efficient and productive.

For instance, said Pichler, "Kroger's 530 combo store pharmacies are using computer-assisted ordering to maintain inventories of prescription drugs at efficient levels. The program simultaneously reduces both out-of-stocks and the dollar value of store inventories, resulting in higher sales, higher profits and lower working capital."

The combo giant is also investing in EDI programs with several major suppliers.

Another boost for the combo side of Kroger's business has been the increasing contribution of the company's Peyton distribution unit. Peyton operates four strategically located DCs, including a new, 205,000-square-foot seasonal merchandise facility that opened last fall. Armed with new communications linkups and technological efficiencies,

Continued on page 37

Revco names Mastrian sr. vp-marketing

TWINSBURG, Ohio — Revco D.S. has promoted Jim Mastrian to the newly created post of senior vp of marketing. Mastrian, 49, will head up marketing functions for both pharmacy and OTC purchasing, reorder buying and merchandising. He will continue to report to Dwayne Hoven, executive vp of marketing and stores.

Mastrian joined Revco in 1990 as vp and general manager of marketing. As such, he has been charged with all purchasing operations and pharmacy marketing. His latest appointment reflects Revco's efforts to staff up its top support teams as it prepares to emerge from Chapter 11. It also helps fill a management void created last winter by the departure of former executive vp of marketing Jim Adamson.

Mastrian is a chain drug veteran who once served as president and general manager of the former Sherwin Williams subsidiary, Gray Drug Fair, prior to its purchase by Rite Aid. A 1965 pharmacy graduate of the University of Pittsburgh, he also served as senior vp of merchandising and marketing for Sherwin Williams' paint store group.

"Jim has helped craft Revco's operating turnaround over the last two years, through his keen understanding of the drug store business and our competitive needs," said Hoven in a statement. "He is a marketing veteran with a solid pharmacy background."

Cosmetic Center IPO funds to grow stores, retire debt

SAVAGE, Md. — The Cosmetic Center, Inc., having raised $14.5 million in its recent initial public offering, will use the sale's proceeds to retire debt and expand operations.

The 38-store discount cosmetics specialty chain sold 1.1 million shares of common stock at $14 per share. Of that capital, the company intends to use $11.4 million to retire debt.

Another $2.7 million will be used to expand the operation and fund the opening of new stores. The Cosmetic Center intends to open nine to 18 stores during the next 18 months. Currently, the chain operates stores averaging 6,450 square feet in the metro market areas of Washington, D.C., Chicago, Baltimore and Richmond. In fiscal 1991, average sales per square foot of selling space were $391.

The company plans to use the balance for the acquisition and installation of an enhanced electronic POS system in all stores. The company currently uses a computerized automated stock replenishment system, which it credits with enabling it to keep a tight control on store personnel.

The company had sales of $87.6 million in 1991, a 15.3 percent increase over 1990's sales of $76 million.

Correction

Errors appeared in the stock table published by Drug Store News *in the May 4, 1992 issue because of incorrect information provided by Nordby International. Here is the corrected chart:*

Exch	Company	Ticker Symbol	Closing Price 4/1/91	Closing Price 4/1/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.88	5.25	−1.63	−23.69	28	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	17.42	19.75	2.33	13.38	21	0.12	0.61	25.25	15.50
OTC	Big B	BIGB	10.63	16.00	5.37	50.52	19	0.20	1.25	16.25	10.63
OTC	Drug Emporium	DEMP	8.38	8.38	−0.01	− 0.06	—	0.12	1.43	9.38	5.50
NYS	Fay's Inc.	FAY	12.75	10.13	−2.63	−20.59	18	0.20	1.98	15.75	8.25
ASE	Genovese Drug	GDX.A	10.38	10.50	0.12	1.16	12	0.24	2.29	14.75	9.13
NYS	Longs Drug Stores	LDG	40.50	35.25	−5.25	−12.96	13	1.08	3.06	44.38	33.38
OTC	Medicine Shoppe	MSII	24.50	25.88	1.38	5.61	19	0.36	1.39	30.75	19.00
NYS	Perry Drug	PDS	6.38	10.00	3.62	56.74	14	0.00	0.00	11.63	5.88
NYS	Rite Aid Corp.	RAD	21.88	22.13	0.25	1.14	15	0.52	2.35	23.75	17.25
NYS	Walgreen Co.	WAG	33.63	36.25	2.62	7.79	22	0.52	1.43	39.75	28.63

Notes: Rite Aid completed a 2-for-1 stock split. Arbor Drugs completed a 3-for-2 stock split.

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Cardinal takes action against drug abuse

IN THE MARKET
BRUCE BUCKLEY

In the aftermath of the Los Angeles riots, it's easy to get caught up in a wave of pessimism. The problems that triggered the burning and looting — the broken families, the drugs, the lack of escape hatches from the poverty and crime — are so pervasive in many inner city neighborhoods that the temptation is to put them out of mind. Someone else's mess to clean up, not ours.

But not everyone sees it that way. Some community pharmacists who are part of the Cardinal Drug Centers cooperative program in the Richmond area of Virginia have cooked up a program to deal with just one piece of the national malaise that the events in Los Angeles have come to symbolize. The program they've devised deals with substance abuse prevention. It focuses on real-life stresses and temptations faced by children and the blinders that parents often put on when talking about their own children. It encourages open family discussions based on reality. "To knock it out," says the program's motto, "talk it out."

For about 15 months Cardinal has been sponsoring a cable television program aimed at combating substance abuse. The one-hour program, called "Parents, Kids and Drugs," airs every Thursday evening at 7 p.m. Parents and adolescents are encouraged to call in to share their views and experiences. A number of Cardinal pharmacists have taken part.

The TV program is only one part of Cardinal's attack on substance abuse: Other aspects: a whole armload of printed material as well as a speakers bureau made up of pharmacists throughout Virginia and North Carolina who volunteer their time to speak to community groups.

Now Cardinal is launching a new component that will take the message right into area schools and zero in on sixth-grade kids at the vital crossroads between childhood and adolescence.

I talked with Bob Carson, who owns a small community drug store called Atlee Cardinal Drug in Ashland, Va. Carson is one of three pharmacists who will kick off the program in the Bindford middle school in the inner city of Richmond. The other two are also Cardinal members: Jim Patterson, who is chairman of Cardinal's Substance Abuse Advisory Panel, and Bronwyn Nobel.

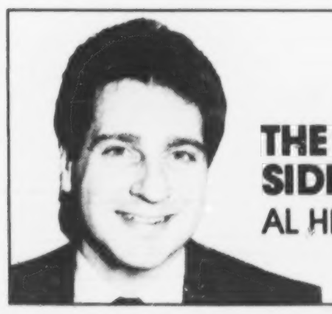
Carson, who has twice been a guest on the Cardinal-sponsored TV program, said the aim of the school program is to get kids talking about their own perceptions and experiences. He said, "It's not a lecture. Our whole success will depend on dialogue." They'll sit in a circle, one pharmacist and a handful of kids, and they'll talk. Throughout the day different classes will sit down with the three pharmacists.

The program will introduce a nice gimmick that the Cardinal folks think will capture the attention of imaginative and fashion-minded 11- and 12-year-olds: Neon-colored sunglasses whose lenses are imprinted with typical adolescent denial statements. The idea the pharmacists will try to impart is that the denial statements are like blinders that have to be removed, and that it's not cool to yield to peer pressure. The glasses will be passed around.

By the end of the day, the three — hopefully not hoarse — pharmacists will have sat down with more than 150 sixth graders.

It will all be evaluated and if it works, it will be rolled out to other schools. Sounds like a good idea for other areas. If you'd like more information, you might want to call Laura Peery or Helen Dawson at (804) 355-0681.

National angst an opportunity for drug stores



THE HUMAN SIDE
AL HELLER

Look around. In your office. On the street. In your stores.

People are wearing crazed looks today because they're being pressed to do more—faster and better, and often with fewer resources.

And that's not just at work. Care of aging parents, job losses, lack of health insurance, less discretionary income, to cite a few, build pressures on the homefront.

People are often so pressed that they feel loss of control over many aspects of their lives. But they still shop—and they do exert control over where they shop, what they buy and how much they spend.

This all adds up to a terrific opportunity for drug stores—since they can deliver on many of their promises to consumers and stand in sharp contrast to today's unmet expectations.

The historic plusses of drug stores are still valid, but one of the keenest observations of a newly released NACDS study is that: "The public is clearly ready and willing to use drug stores in ways that might have seemed unimaginable a generation ago. Of the services most appreciated are those that make people's lives easier: streamlined billing, easily retrievable pharmacy records, and apparatuses that help people screen and check on their own health."

Clearly, drug stores are well positioned to benefit from the national angst.

The study, "Winning the Customers: New Challenges and Opportunities Facing Chain Drug Stores in 1992," was conducted for NACDS by Peter D. Hart Research Associates, Washington, D.C., who interviewed a national sample of 1,004 adults by phone on April 3-4.

Hart, who delivered highlights of the study to a packed ballroom at the NACDS Annual Meeting in Maui, spoke of drug stores within the context of Americans' lives: "Help people. People want to know in their sphere that they can control what's going on. They look to the pharmacy with the thoughts, 'help me save time and money, and help me plan.' People are worried about how to get through the day, the year, with their families."

Indeed, 62 percent of Americans buy most of their prescription and non-prescription medications at drug stores, the survey showed. That translates into 1.2 billion of the 2.05 billion outpatient prescriptions dispensed annually in the U.S.

Despite that power, just 47 percent of consumers select their drug store based on the pharmacy, down from 60 percent two years ago. Another 41 percent say HBA and special services win their hearts, up from 34 percent two years ago.

Extra services, such as FAXes, shipping and automated teller machines are especially important to younger consumers—although other services showed up stronger across the total sample. Availability of full prescription records were cited by 78 percent as an "extremely or quite valuable service." Direct billing of insurance carriers for covered expenses, 73 percent; written information or videotapes on medicines or health conditions, 48 percent; private consultation areas to speak with pharmacists, 47 percent; blood pressure or cholesterol screening, 46 percent; home delivery services, 44 percent.

Moreover, Hart said: "Drug chains are a basic. Speak about fundamental ideas. People want to be rooted. People want to be given direction and reassurance."

That approach can turn disillusion into opportunity.

DRUG STORE NEWS

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady,** ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAlear Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

IRI REPORT

HBA hot movers

A comparison of the top 30 health and beauty aids performers at drug chains and supermarkets shows the immense popularity of core products during the quarter ended March 29, 1992.

Differences surface too.

Yeast remedies copped three of the top four placements in the drug trade class, accounting for $39.1 million in volume during the period. Units moved were 2,406,000, reported the Information Resources Inc. Infoscan service.

In supermarkets, however, just one yeast remedy sku placed 20th at $5.3 million on 328,000 units moved.

Tampons took two of the top four slots at food stores during the quarter, moving 3,534,000 units and tallying $17.1 million in retail volume. Not a single tampon made it to the head of the drug chain list.

Fastest moving HBA at drug chains

(13 weeks ended March 29, 1992)

	Dollar sales (in millions)	Unit sales (in thousands)
1. Monistat 7 regular vaginal cream 1.6 oz.	$18.9	1,161
2. Centrum multivitamin tablet 130 count	12.4	1,499
3. Monistat 7 reg. vag. suppository 1.6 oz.	10.8	665
4. Gyne-Lotrimin vaginal cream 1.5 oz.	9.4	580
5. Aosept disinfecting solution 12 oz.	7.3	1,171
6. Renu1 disinfecting solution 12 oz.	6.7	1,057
7. Tylenol caplet 100 count	6.5	942
8. Tylenol gel cap 100 count	6.1	796
9. Gyne-Lotrimin vaginal insert 1 oz.	5.8	361
10. Listerine regular mouthwash 32 oz.	5.7	1,421
11. Gillette Sensor razor cartridge 10 count	5.7	868
12. Robitussin DM 4 oz.	5.7	1,708
13. Gillette Sensor razor cartridge 5 count	5.6	1,447
14. AOPFR saline solution 12 oz.	5.6	894
15. Tylenol caplet 50 count	5.5	1,195
16. Advil 50 count	5.4	1,151
17. Q-Tips cotton swab 300 count	5.1	2,434
18. Tylenol gelcap 50 count	5.0	1,006
19. Theragran M multivitamin tablets 130 count	4.7	549
20. Tylenol tablet 100 count	4.4	672
21. EPT11 pregnancy test kit 1 oz.	4.3	345
22. Nyquil regular liquid 6 oz.	4.2	981
23. Robitussin DM regular liquid 8 oz.	4.1	712
24. Advil tablets 24 count	4.1	1,338
25. Ultra Slim Fast ready to drink MLRPM 11 oz.	4.1	4,188
26. Afrin nasal spray bottle in box 0.5 oz.	4.0	965
27. Imodium-AD caplet 12 count	4.0	670
28. Sudafed regular tablets 24 count	3.9	1,108
29. Tylenol gelcap 50 count	3.9	382
30. Tylenol tablets 60 count	3.8	770

Source: Information Resources Inc. Infoscan service.

Fastest moving HBA at supermarkets

(13 weeks ended March 29, 1992)

Product	Dollar sales (in millions)	Unit sales (in thousands)
1. Tampax tampons super 32 count	$9.0	1,862
2. Tylenol caplet 50 count	8.4	1,832
3. Ultra Slim ready to drink MLRPM 11 oz.	8.3	8,535
4. Tampax tampons regular 32 count	8.1	1,672
5. Advil tablets 50 count	7.8	1,672
6. Centrum multivitamin tablets 130 count	7.6	857
7. Tylenol gelcap 50 count	7.4	1,496
8. Gillette Sensor razor cartridge 5 count	7.3	1,851
9. Q-Tips cotton swab 300 count	6.8	3,073
10. Listerine regular mouthwash 32 oz.	6.8	1,645
11. Advil tablets 24 count	6.5	2,226
12. Tylenol caplets 100 count	6.5	901
13. Crest original tartar control 8.4 oz.	6.5	3,277
14. Gillette Sensor razor cartridge 10 count	5.9	841
15. Babyfresh moist towelette 84 count	5.8	2,005
16. Tylenol caplet 24 count	5.6	1,892
17. Nyquil regular liquid 6 oz.	5.6	1,351
18. Tampax tampons super plus 32 count	5.6	1,154
19. Tylenol gelcap 100 count	5.4	690
20. Monistat 7 regular vaginal cream 1.6 oz.	5.3	328
21. Crest freshmint tartar control 6.4 oz.	5.3	2,703
22. Ultra Slim Fast powdered can 15 oz.	5.2	973
23. Tylenol tablet 60 count	5.2	1,036
24. Tylenol gelcap 24 count	4.9	1,518
25. Advil tablets 100 count	4.7	607
26. Crest regular toothpaste 6.4 oz.	4.6	2,354
27. Robitussin DM original liquid 4 oz.	4.5	1,355
28. Listerine original mouthwash 12 oz.	4.5	1,474
29. Babyfresh baby wipe 84 count	4.5	1,571
30. Renu1 disinfecting solution 12 oz.	4.4	684

Source: Information Resources Inc. Infoscan service.

Job Mart

JOB MART is an editorial feature for industry executives seeking jobs. It's CONFIDENTIAL and FREE. If you want your ad listed in a future issue, send it to Confidential Box 100, *Drug Store News*, 425 Park Avenue, New York, N.Y. 10022. Please: no more than 40 words. We'll assign a box number. Space is limited. Ads run on a first-come, first-served basis.

(PROSPECTIVE EMPLOYERS: If you'd like to receive resumes from any job seekers listed below, write to: Job Mart Administrator, *Drug Store News*, 425 Park Avenue, New York, N.Y. 10022 or call 212-756-5235.)

Chain Positions Wanted

Seeking position as regional or national accounts manager for non-foods industry. Developed warehouse clubs, drug stores and mass merchandisers across 6 states, building my regional business to over $8 million. Strong background in consumable food and pet food products. Prefer North Carolina area, but will relocate. Box 6-9200.

Polished hands-on professional with extensive business, pharmacy and marketing experience seeking a challenging management position with a deep discount or conventional drug store chain. Proven track record with outstanding references. Willing to relocate. Box 6-9201.

Supplier Positions Wanted

Sales management and trade marketing executive seeks new opportunity. Extensive hands-on experience with consumer packaged goods companies ranked in the top 20 of Fortune 500. Outstanding sales management skills that produce bottom line results. Actively involved with building business across all trade classes. Fully capable in developing sales and marketing programs through alternate channels. Box 6-1500.

Skilled manager with field experience in consumer goods. Direct involvement in recruitment, training development and quota attainment for sales teams producing $10 million in net shipments to chain drug, mass merchants, deep discounters, distributors, food and department stores. Responsible for all aspects of headquarter account management and sales for national and local headquarters. Consistent achiever of sales objectives based on strengths in organizational skills, motivation, communication and personnel. High energy level and enthusiasm. Box 6-1501.

I am currently seeking a management opportunity with an enterprising consumer products company. My experience is in upper/middle management with field responsibility at the national account level. I have effectively supervised a manufacturer sales force and managed broker networks. My business background is supported by a Bachelor of Science degree in organizational behavior. Additionally, I am open to advancement and not restricted by travel and relocation barriers. Box 6-1502.

Seeking senior management position in a growing, dynamic company, preferably in the health care industry with one of the major wholesalers or one of their vendors. With strong financial and operational experience, proven strategic planner and problem solver and solid leadership. Box 6-1503.

Eighteen years of line and staff sales management experience with two multi-national consumer goods corporations. Demonstrated ability to develop and implement marketing and sales programs to increase volume, market share and profitability. Strategically oriented self-starter with excellent people development, communications and leadership skills. Box 6-1504.

EXECUTIVE SEARCH INTERNATIONAL

"Bringing the best . . . together."

PLANO, TEXAS 75075 • 1700 ALMA DR. • SUITE 370

We look forward to demonstrating the professionalism upon which "ESI" is founded, and assisting you and your staff in "bringing the best. . .together."

Ed Nalley — Consumer Products/Sales & Marketing/Medical Sales
Bob Reynolds and Larry Hunt — Pharmaceutical/Medical Sales
Deborah Pullin, Kathy Meader, Van Davis — Biomedical Science

Ed's 20 years (15 of these years in management) with General Foods, Johnson & Johnson, J.B. Williams, Alberto-Culver and Ayerst Laboratories gives him excellent working knowledge of the industry. Ed's last 4 years within the executive search industry resulted in national Rookie of the Year for 1988, Top 10 - 1988 & 1989, received Certified Senior Account Manager (C.S.A.M.) status in April 1990 and C.P.C. certification by National Association Personnel Consultants in December 1991.

Partial Listing of Positions Available Now:

- **Product Manager—HBA firm—Midwest**
- **Broker Manager—HBA firm—L.A. or S.F. Hqt.**
- **Divisional Manager—HBA firm—West Coast**
- **Branch Manager—Dallas Fort Worth—Three positions**
- **1st Line Manager—HBA firm—Atlanta—N.Y.—L.A.**
- **2nd Line Manager—HBA firm—L.A.**
- **Need CEO to run small Bio-tech firm in West Coast position & Northeast position—New financial owners need strong leader to staff and build professional team with two excellent products.**

Well-financed Mexican pharmaceutical manufacturing company, whose only customer now is the Mexican Government, seeks ambitious person capable of clearing selected list (we can fill your requirements to your specifications) of highest quality raw materials and finished products for sale in U.S. and overseas. Americo Marketing Co., 701 Poinsetta Rd., 318, Belleair, Fla. 34616. (813) 487-0365.

Photo courtesy of Campau Advertising. Photographer: Adriel Givens.

African-American consumers want to shop in stores with an imaginative merchandising presentation and a full product assortment.

Drug stores must rely on strong suits to ace ethnic category sales

Most distributors and chain drug ethnic product buyers say that, with the exception of ethnic cosmetics, the ethnic beauty care category is basically flat in chain drug outlets.

However, many distributors are reporting that the category's sales are up in the three most competitive trade classes: beauty and barber (B&B) supply and deep discount drug stores and mass merchants.

Some distributors and chain drug buyers believe that chain drug stores could do better with ethnic, but aren't because they're not doing enough to capitalize on their strengths or to offset their weaknesses.

"We're seeing this tremendous growth of ethnic hair care in B&B stores because they stock more items. They move fast to bring in new items, they're very competitive on price, they offer service and that gives them a tremendous advantage with consumers," says Jim Normandin, who buys ethnic hair care for Beauty Enterprises in Connecticut.

"But chain drug stores have the advantage of cleanliness and convenience, and if they were to pay close attention to their in-stock position, and make sure they have the assortment the customer wants, they could do a lot better with this category," he added.

"Sales are up a little overall," says Mike O'Neil, vp of merchandising for Harris Beauty Supply in Alexandria, Va.

"Those drug chains, like Rite Aid and CVS, who are becoming increasingly aggressive with ethnic products are showing the sales increases," O'Neil added.

"But the double-digit increases are usually with the mass merchandisers who are doing a lot with prices and promotion, and with B&B stores.

Ethnic hair care sales
(in millions)

Trade class	1991	Percent change 1991 vs. 1990
Drug stores	$159	(6.0%)
Mass merchandisers	59	0
Food stores	52	(7.8)
Total: 3 trade classes	$270	(5)

Source: Nielsen Marketing Research.

The curl is out

"We're seeing our sales in ethnic hair care doing real well," says Beth Dugan, who buys ethnic hair care for Rite Aid. "Our business with manufacturers, for the most part, is growing, but the curl is out, so we're seeing sales [going down] for some companies that specialize in the curl."

At Perry Drug in Detroit, Steve Lund, vice president of merchandising, reports seeing "a lot more competition from B&B stores. They operate with such a low overhead that it's hard to compete on prices, and so ethnic hair care sales right now are a little soft for us."

"Except for ethnic cosmetics, which has really taken off, ethnic beauty care sales are flat," says Harco's ethnic hair care buyer Charles Monk. "We're still promoting to drive the business, and we're expanding the category where we can in stores with high-volume black traffic, but, on a same-store basis, it's flat."

In California, Richard Nave, president of Paul's Sundries, reports flat sales, partly attributable, he thinks to the recession, which has had such an impact on consumers.

Ethnic cosmetic sales gains by category segments

Category	Percent growth in dollar sales first quarter '92	Percent share of category sales first quarter 1992	1991
Lip products	22%	37.2%	43%
Liquids/creams	66	23.4	19.8
Face powders	42	23.2	23
Eye colors*	670	9.4	1.8
Blushes	24	6.7	12.4
Total category	41	100	100

*Dramatic increase due to the launch of several new eye color collections in this previously undeveloped category segment.
Source: Towne Oller Ethnic Products Audits.

Revco set to climb out of bankruptcy June 1

By James Frederick

TWINSBURG, Ohio — U.S. Bankruptcy Court Judge Harold White has set June 1 as the effective date for Revco's plan of reorganization and its emergence from Chapter 11.

The date comes nearly four years after Revco, sinking under nearly $1.5 billion in debts and unable to make interest payments, filed for bankruptcy protection in July 1988. What will emerge is basically a new company, one which has taken advantage of its long hibernation from creditors to retool every aspect of its business.

Under the court's protection, Revco has shed nearly half its store network, pared operations to nine states, defended itself against takeover attempts, lured back customers and profits, and armed itself with a formidable array of retail technology. Along the way, its managers and field people have created new systems for marketing, merchandising and distribution and recreated Revco's image as a convenient, fairly priced provider of basic drug store merchandise.

The last stumbling block to Revco's emergence from bankruptcy was removed in April, when the last appeals to the orders approving confirmation of Revco's reorganization plan were withdrawn by its former managers Sid Dworkin and Bill Edwards. On the effective date, Revco will issue cash payments and new debt securities to the holders of bank notes, sinking fund debentures and unsecured notes. The company will also issue cash and new common stock to its trade creditors, junk bond holders and equity holders in Anac, its parent company.

Rights to purchase additional shares of new common stock will also be offered to subordinated debt holders. Revco's biggest single stockholder is likely to be Zell/Chilmark Fund, L.P., a vulture investment firm which provided much of the cash needed to firm up support among creditors for Revco's bid to remain independent. Zell/Chilmark will occupy two seats on the company's new, 11-member board of directors.

Revco's court-approved plan and its payments to creditors will leave it with a far lighter long-term debt load of $436 million. Further boosting its financial strength will be a new, $100 million line of working capital available from its lending banks on the effective date.

"We are eager to leave Chapter 11 and move Revco into the public marketplace," said company chairman and ceo Boake Sells.

Wholesaler roundup

Increased sales and reduced operating costs helped **Foxmeyer Corp.** achieve record net income figures for the fiscal year ended March 31. It posted $37.8 million in net earnings, up from $26.5 million, thanks largely to a big gain in the fourth quarter to $14.6 million from $10.5 million. A $25 million reduction in operating costs to $147 million was primarily responsible for FoxMeyer's improved balance sheet, said Warren Henry, public information director. He said improved efficiency of warehouse operations and routing and delivery systems helped FoxMeyer reduce its operating costs as a percent of sales from 6 percent to 4.8 percent. Sales for the year were slightly more than $3 billion, up from $2.87 billion in the prior year.

Cardinal Distribution, Inc. reported sales for the year ended March 31, 1992 rose to $1.6 billion from $1.2 billion the prior year. Net income was up to $25.2 million from $17.4 million the prior year. Fourth quarter sales were $483.2 million, compared with $341.2 million a year ago, and net income rose to $8.6 million from $5.9 million.

Owens & Minor, Inc.'s board of directors approved the payment of the second quarter cash dividend of $.065 per share, an increase of $.0125 per share (of 23.8 percent) over the previously paid quarterly amount.

MARKET DIARY:

Largest Dollar Gainer	Rhone-Poulenc Rorer	$ 3.13	Advances	13
Largest Dollar Loser	Bristol-Myers Squibb	$ – 5.00	Declines	46
Largest Percentage Gainer	Bindley Western Ind	9.76%	Unchanged	3
Largest Percentage Loser	Columbia Labs	– 21.67%	New highs	1
			New lows	9

	Close 5/5/92	Close 5/26/92	Net Change	Percent Change
Drug Store News Index	4808.28	4633.45	– 174.83	– 3.64
Dow Jones Industrial Average	3359.34	3364.21	4.87	0.14
Standard & Poor's 500-Stock Index	416.84	411.41	– 5.43	– 1.30
N.Y.S.E. Composite	229.50	226.86	– 2.64	– 1.15
Value Line Index	256.61	254.06	– 2.55	– 0.99

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 5/5/92	Closing Price 5/26/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.13	4.75	– 0.38	– 7.32	19	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	19.38	20.50	1.13	5.81	22	0.12	0.59	25.25	17.50
OTC	Big B	BIGB	14.75	13.50	– 1.25	– 8.47	16	0.20	1.48	16.25	10.63
OTC	Drug Emporium	DEMP	7.75	6.25	– 1.50	– 19.35	—	0.08	1.28	9.25	5.50
NYS	Fay's Inc.	FAY	9.50	9.88	0.38	3.95	18	0.24	2.43	15.25	8.25
ASE	Genovese Drug (L)	GDX.A	10.25	9.38	– 0.88	– 8.54	9	0.24	2.56	14.75	9.38
NYS	Longs Drug Stores	LDG	34.50	34.13	– 0.38	– 1.09	13	1.12	3.28	44.38	33.13
OTC	Medicine Shoppe	MSII	26.25	25.75	– 0.50	– 1.90	19	0.36	1.40	30.75	19.00
NYS	Perry Drug	PDS	8.50	8.25	– 0.25	– 2.94	12	0.00	0.00	11.63	6.50
NYS	Rite Aid Corp.	RAD	21.63	21.13	– 0.50	– 2.31	15	0.52	2.46	23.75	17.25
NYS	Walgreen Co.	WAG	32.75	31.25	– 1.50	– 4.58	19	0.52	1.66	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	21.50	20.88	– 0.63	– 2.91	16	0.40	1.92	23.91	16.00
OTC	Bindley Western Ind.	BIND	15.38	16.88	1.50	9.76	10	0.04	0.24	20.75	13.50
OTC	Cardinal Distribution	CDIC	27.75	29.38	1.63	5.86	22	0.08	0.27	38.75	22.50
OTC	Durr-Fillauer	DUFM	23.50	21.75	– 1.75	– 7.45	15	0.28	1.29	32.75	17.50
NYS	FoxMeyer Corp.	FOX	13.75	13.25	– 0.50	– 3.64	13	0.28	2.11	16.63	10.75
NYS	McKesson Corp. (L)	MCK	32.13	31.38	– 0.75	– 2.33	34	1.60	5.10	40.13	30.75
ASE	Moore Medical	MMD	7.00	6.38	– 0.63	– 8.93	21	0.00	0.00	7.38	3.00
NYS	Owens & Minor	OMI	18.00	18.13	0.13	0.69	18	0.24	1.32	24.25	13.09
Manufacturer's transactions											
NYS	Abbott Labs	ABT	66.75	65.25	– 1.50	– 2.25	25	1.20	1.84	69.75	48.75
NYS	American Home Products	AHP	78.63	74.25	– 4.38	– 5.56	16	2.60	3.50	86.25	57.75
ASE	Barr Laboratories (L)	BRL	10.25	9.63	– 0.63	– 6.10	20	0.00	0.00	37.50	8.63
NYS	Baxter International	BAX	37.50	37.38	– 0.13	– 0.33	18	0.84	2.25	40.88	31.50
OTC	Block Drugs Co. (L)	BLOCA	49.50	48.50	– 1.00	– 2.02	16	0.88	1.81	61.00	45.00
ASE	Bolar Pharmaceutical	BLR	9.88	8.88	– 1.00	– 10.13	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb (L)	BMY	76.50	71.50	– 5.00	– 6.54	18	2.76	3.86	90.13	71.50
NYS	Carter-Wallace (s)	CAR	28.25	29.00	0.75	2.65	29	0.32	1.10	45.84	20.41
ASE	Columbia Labs	COB	7.50	5.88	– 1.63	– 21.67	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	21.63	20.50	– 1.13	– 5.20	15	0.28	1.37	24.38	15.66
ASE	Forest Labs	FRX	34.00	32.00	– 2.00	– 5.88	28	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	6.75	6.69	– 0.06	– 0.92	24	0.00	0.00	9.75	4.56
NYS	ICN Pharmaceutical	ICN	13.38	12.25	– 1.13	– 8.41	13	0.00	0.00	25.38	4.63
ASE	Lee Pharmaceutical	LPH	1.50	1.38	– 0.13	– 8.33	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.88	14.88	0.00	0.00	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co. (L)	LLY	69.13	65.38	– 3.75	– 5.42	14	2.20	3.37	87.75	65.00
NYS	Marion Merrell Dow	MKC	34.88	32.25	– 2.63	– 7.53	15	1.00	3.10	39.00	27.25
NYS	Merck Co. (s)	MRK	49.25	49.63	0.38	0.76	26	0.92	1.85	56.59	37.75
NYS	Mylan Labs	MYL	35.75	34.75	– 1.00	– 2.80	32	0.20	0.58	43.25	23.25
NYS	Novo-Nordisk	NVO	86.00	87.75	1.75	2.03	18	0.60	0.68	96.00	61.75
OTC	Nutramax Products	NMPC	10.00	10.00	0.00	0.00	25	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	72.88	71.50	– 1.38	– 1.89	32	1.48	2.07	87.00	55.00
NYS	Pharmaceutical Resources	PRX	5.75	6.00	0.25	4.35	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	54.00	57.13	3.13	5.79	23	0.64	1.12	69.38	41.13
NYS	Schering Plough	SGP	55.00	50.50	– 4.50	– 8.18	16	1.56	3.09	68.00	48.88
NYS	Syntex Corp.	SYN	45.63	41.13	– 4.50	– 9.86	20	1.04	2.53	56.00	36.75
OTC	Taro-Vit Industries	TAROF	10.25	9.00	– 1.25	– 12.20	129	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	23.75	26.00	2.25	9.47	28	0.20	0.77	28.38	11.75
NYS	Upjohn Co. (L)	UPJ	37.25	34.38	– 2.88	– 7.72	11	1.36	3.96	47.88	34.13
NYS	Warner-Lambert	WLA	63.88	62.00	– 1.88	– 2.94	50	2.04	3.29	79.25	60.25
OTC	Zenith Labs	ZENL	20.25	21.50	1.25	6.17	—	0.00	0.00	24.25	7.00
Other retailer transactions											
NYS	Albertson's	ABS	41.75	38.50	– 3.25	– 7.78	22	0.64	1.66	45.75	32.75
NYS	American Stores	ASC	33.13	30.63	– 2.50	– 7.55	9	0.68	2.22	43.44	26.00
NYS	Giant Food (L)	GFS.A	21.00	20.00	– 1.00	– 4.76	13	0.68	3.40	30.38	19.75
NYS	Great Atlantic&Pacific Tea	GAP	32.63	31.38	– 1.25	– 3.83	17	0.80	2.55	48.00	25.00
NYS	Kmart	KM	49.75	45.75	– 4.00	– 8.04	12	1.84	4.02	55.00	38.13
NYS	Kroger	KR	17.75	17.88	0.13	0.70	15	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	50.63	46.13	– 4.50	– 8.89	15	1.48	3.21	55.25	38.25
OTC	Fred Meyer	MEYR	25.50	25.50	0.00	0.00	14	0.00	0.00	29.25	16.00
NYS	Penney, JC (H)	JCP	66.50	64.75	– 1.75	– 2.63	14	2.64	4.08	69.38	47.13
NYS	Safeway (L)	SWY	15.88	14.13	– 1.75	– 11.02	25	0.00	0.00	20.25	14.13
NYS	Smith's Food & Drug	SFD	36.38	34.63	– 1.75	– 4.81	21	0.44	1.27	43.25	30.25
NYS	Wal-Mart	WMT	52.00	51.75	– 0.25	– 0.48	35	0.20	0.39	59.88	41.13

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Notes: Carter-Wallace completed a 3-for-1 stock split. Merck & Co. completed a 3-for-1 stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 11 June 8, 1992

The newspaper of drug store retailing

June 22, 1992

DRUG STORE NEWS

SECOND CLASS

Vol. 14 No. 12

A Lebhar-Friedman publication

Chains deliver value to earn consumer edge in the '90s

Focus on skin, sun and bath

GALLUP '92

NEWS IN BRIEF

Eckerd to sell InstaCare Pharmacy

CLEARWATER — Jack Eckerd Corp. plans to sell its Insta-Care Pharmacy Services division for an estimated $40 to $50 million, according to a source familiar with the company.

Company officials had no comment on the sale because Securities and Exchange Commission regulations prevent public comment until Eckerd's pending initial public offering is completed. According to Eckerd's annual report, a registration statement to sell 100 percent of the shares of Insta-Care Holdings Inc. will be filed with the SEC.

Eckerd bought Insta-Care in 1989 from Revco D.S. Inc. for $7.1 million. The division generates 2.2 percent of Eckerd's $3.6 billion in annual sales, according to the company's annual report. Insta-Care is based is Woburn, Mass., and offices are located in Alabama, Florida, Louisiana, Massachusetts, Tennessee and Texas.

Raley's buys Bel Air Market

SACRAMENTO, Calif. — Raley's supermarket and drug center has purchased the Bel Air Market chain, which operates 16 food and drug stores in the metropolitan Sacramento area. Price and terms of the sale weren't disclosed by the two family-owned firms, whose combined annual sales volume is $1.75 billion. Raley's operates 64 stores in northern California and northern Nevada. The transaction is expected to close July 31, pending regulatory approval. George Wong, son of the Bel Air chain's founder, will continue as president.

Texas Drug to open No. 8 soon

ARLINGTON, Texas — Texas Drug Warehouse, a seven-store deep-discount drug chain, is gearing up to open its eighth unit this summer in the Dallas/Fort Worth Metroplex.

The off-price store will open in mid- to late-summer, said company president Harold Pinker. It joins a network of high-volume, 30,000-square-foot-and-up stores offering steep discounts in a market dominated by food/drug combos and relatively few traditional drug chains, including Eckerd Drug and Town & Country Drug, a local Fort Worth chain.

Walgreen source tagging planned

DEERFIELD, Ill. — Walgreen Co. is set to begin installation of an electronic security system based on tagging of merchandise at its distribution centers. The program, which utilizes Checkpoint Systems' Electronic Article Merchandising system, will undergo an initial test at a single distribution center and will include merchandise moving through 200 Walgreens stores.

Walgreen general auditor Chet Young said the company determined source tagging of merchandise for security worked best from the warehouse level, rather than from store level.

Exclusively HBA show: September 22-24

CHICAGO — The third annual Exclusively HBA show, held this year September 22 to 24 at the Denver Convention Center, will include more than 400 HBA/HBC suppliers.

Participation is up across the board this year, according to show management, and display space is expected to sell out by mid-July. More than 3,000 HBA/HBC executives from all classes of trade are expected to attend the show.

IN THIS ISSUE

FEATURES

Gallup Report 45-79
Towne Oller 80-83
Quiz Winners 22
Environmental News 24
Manufacturer Profile 33

HEALTH AND BEAUTY AIDS

Teen Marketing 41-42

COSMETICS AND FRAGRANCES

Sales Review 85-108
Beauty Beat 110
Category in Motion . 97,110,115

DEPARTMENTS

Opinion
In the Market 6
Washington Perspective 6
Finance 12
Store Manager Training 18
Product Updates 116-118
Supplier News 30
Technology Updates 119

Albertson's: 800+ stores, and multi-market march

By Allene Symons

BOISE, Idaho — Albertson's, Inc., has mapped out plans to build or acquire more than 250 food and drug stores—most over 40,000 square feet—in a multi-market sweep from its current 639 stores to over 800 sites by 1996, it was announced at the chain's annual stockholders meeting here.

The engine behind Albertson's drive in HBA and pharmacy is its new Ponca City, Okla. distribution center. The warehouse, acquired early this year along with 74 Jewel Osco stores, is slated to support "more emphasis on health and beauty care and pharmacy, and more emphasis on general merchandise," according to Gary G. Michael, chairman of the board and ceo. He described the 420,000-square-foot warehouse as "a hidden gem in our acquisition" and noted that it fills a void in Albertson's general merchandise distribution.

According to store-level sources, in recent weeks most pharmacy distribution was shifted from the Fort Worth warehouse to Ponca City, a move that initially caused some confusion but now provides stepped-up delivery to pharmacies in 19 states. The chain plans to invest $290 million on distribution centers by 1996, and is currently adding full-line DCs in Florida and Arizona plus expanding its Fort Worth general merchandise DC for a total of 11 sites.

Lower costs

The 74-store acquisition is expected to "lower the overall cost structure of the company," according to Michael, who added that "it will enable us to take over more stores in the future." Economy of scale will be gained through an existing supervisory structure where acquired stores are lo-

Continued on page 8

McK contract with Wal-Mart

SAN FRANCISCO — McKesson Drug and Wal-Mart have agreed to a three-year renewal of McKesson's prime vendor contract for prescription drugs and selected over-the-counter health care products. Sales to Wal-Mart, McKesson Drug's largest customer, are expected to total approximately $4 billion over the term of the contract.

Wal-Mart estimates that about 150 new prescription drug departments will be added each year for the next three years, including both new and existing store installations. Each Wal-Mart store has an electronic data interchange (EDI) link with McKesson through which ordering and billing is done on a computer-to-computer basis.

Flat market delays Eckerd IPO; stock may be available in July

CLEARWATER, Fla. — With the wind gone from the sails of this spring's blistering IPO market, Jack Eckerd Corp. is reportedly pushing back the date of its initial public offering.

Eckerd officials have never specifically said when the company would return to public ownership, but brokers familiar with the offering had previously said shares would be sold in June. Now, in hopes the IPO market will rebound, brokers said the drug retailer will wait until July before making its stock available to investors.

"We continue to move forward with the IPO," said Eckerd spokesman Gene Ormond. He declined to comment on a specific date other than to say, "we have always said the IPO would be this year."

The number of shares that will be offered has not been disclosed, but brokers have speculated the share price will likely be in the low-$20s range.

Eckerd officials in April confirmed suspicions that the 1,675-store retailer would return to Wall Street. The company plans to use proceeds of the stock sale to reduce long-term debt incurred in 1986 when Eckerd was taken private in a management-led leveraged buyout. The buyout cost Eckerd management $33 a share and put the company in the hole nearly $1.2 billion, of which almost $1 billion remains outstanding.

Vanguard sale ends O&M's wholesale venture

RICHMOND, Va. — Owens & Minor has reached an agreement in principle to sell 100 percent of the stock of its wholly owned subsidiary Vanguard Labs, Inc. to Medical Technology Systems, Inc. The exact terms of the pact haven't been disclosed, but it's expected that consideration will approach $3 million in cash. The closing is expected to conclude no later than June 30.

"The sale completes the process that was started with the sale of our wholesale drug business in the first quarter," said G. Gilmer Minor, III, president and ceo. He said the company plans to focus on the medical/surgical supply distribution business.

The anticipated sale will result in a non-recurring discontinued operations loss in Owens & Minor's second quarter estimated at $2.3 million net of income tax.

Vanguard Labs, located in Glasgow, Kentucky, had sales in 1991 of about $6 million. That number represents less than 1 percent of Owens & Minors' total sales for the year.

RDS will use fresh $5 million to restock

PHOENIX — RDS Acquisition Corp., operating its RxPlus chain under Chapter 11 bankruptcy protection since last November, has received a badly needed $5 million in debtor-in-possession financing earmarked to rebuild its starkly depleted inventory.

Robert Morick, senior vp of marketing, told *Drug Store News* that the reorganization and site-trimming process is continuing, with the chain now reduced to 78 stores. In late 1990, RDS emerged as a 163-store operation when an investor group acquired 146 Revco stores and 17 SupeRx units.

Eyewitness reports tell of some RxPlus stores in Texas, Arizona and New Mexico operating with half-empty shelves. The infusion of funds from Citibank and Security Pacific Businesses Credit is targeted to beef up inventory by around the end of this month, according to Morick. "We're getting our stores back in stock on front end. Pharmacy is in good shape," he noted.

Once RxPlus is in a better stock position, the chain will resume promotional activity with a multi-phase program including flyers, newspaper ads and endcap specials on selected high volume HBA and seasonal product. "We feel positive that we will get this to a positive bottom line in the future," said Morick.

At McPerry, Robinson offers non-fat menu

IN THE MARKET
BRUCE BUCKLEY

When Jack Robinson talks about golden nuggets, he's not referring to deep-fried chicken pieces.

Golden nuggets are Robinson's nice, homey way of describing the retail strategies and action plans on which he wants Perry Drug Stores to concentrate.

A golden-nugget example: Last year Perry unleashed a pharmacy promotion in which the chain guaranteed it would beat any prescription price in town, or give the customer the prescription free. In the tough, competitive markets that make up Perry's backyard, that's an offer guaranteed to be heard above the noise. The result was a big (and sustained) uptick not just in pharmacy dollars but in prescription count. At Perry, pharmacy as a percentage of total sales is now approaching 50 percent.

Another golden nugget: A Wednesday Senior Savers Discount Club, whose members get 10 percent off on almost every product in the store. The upshot: a traditionally slow sales day has become the second busiest next to Saturday. More important, a key customer target group—seniors—now thinks of Perry with the nice warm feeling that comes from saving hard-earned income.

Robinson has a whole plateful of golden nuggets covering the strategies and action plans the chain has devised for improving its price image, for promoting certain core categories, and for the care and handling of customers and employees. These golden nuggets are a big reason that Perry is in the midst of a vigorous and prolonged energy surge. In the most recent quarter, same-store sales were up a robust 14 percent.

In Michigan Perry goes up against one of the sharper operators in the business: Arbor Drug. While Perry got sidetracked in the '80s with its forays into auto parts, home health care and deep discounting, Arbor was quietly sticking to basics. Its singleminded concentration on core categories, price image, technological efficiencies and spotless shopping environment propelled Arbor into the front ranks.

Though Perry never yielded market leadership, it undoubtedly heard footsteps. Robinson, relaxed and confident as Perry's star soars, told me no, it wasn't Arbor but Meijers, Wal-Mart, Kmart, F&M, and other big players that were the main test for his chain.

To get competitive again in the late eighties, Perry began to shed itself of the distractions like auto parts, deep discounting, health care stores and live pets. It also dropped its stores in Chicago, where it was never able to achieve the critical mass needed to survive against Walgreens, Phar-Mor and F&M.

Now the turnaround that began several years ago seems to be gathering steam. Perry has been making all the right moves:

- About 85 percent of its stores are freshly and attractively remodeled, and by the end of the year its "store of the nineties" rollout is expected to be complete.
- PerryLink, the on-line pharmacy network that makes patient files available in all stores, is in place chainwide.
- Perry's "falling prices" promotion has begun to shore up front-end sales by projecting a strong everyday low price image in the highly sensitive health and beauty care arena, where the chain was facing withering competition and flat to sagging sales.
- A POS scanning system is being installed and will be rolled out chainwide by the end of next year.

In short, Perry has put on weight, and it's not fat, but muscle. One of the main reasons is Robinson's menu of tasty golden nuggets.

Better reasons needed for Pharm.D. change

WASHINGTON PERSPECTIVE
KEN RANKIN

The Food Marketing Institute's recent pirouette on the issue of a mandatory entry-level Pharm.D. degree has focused fresh attention on proposals to revamp the educational curricula for future pharmacists.

That's good because, at a time when pharmacy is being counted on as a brake against runaway health costs, proposals that may impact the cost and availability of pharmacy manpower are of more than academic interest.

Unfortunately, the debate over the all-Pharm.D. concept has failed to address these issues.

Instead, the central focus right now is a curiously constructed joint statement by three national pharmacy organizations—APhA, NARD and AHSP—supporting the establishment of a "new" doctor of pharmacy degree that would replace the B.S. as the sole entry-level degree for all future U.S. pharmacists.

What's involved in this plan aside from a change in academic terminology? You'd be hard-pressed to answer that question based on the APhA-NARD-ASHP "joint statement."

The thrust of this new curriculum, according to the statement, should be to enable graduating pharmacists "to be responsible for the appropriate use of medications," and to "help people make the best use of medications."

There's no indication of how this would represent an improvement over the current pharmacy school curriculum, nor is there an explanation of how today's pharmacists are deficient in these respects.

As for the specific "characteristics of the 'new' doctor of pharmacy curriculum," the blueprint developed by the three pharmacy groups lists such items as:

- "development of skills in the selection, initiation and management of drug therapy";
- "development of professional pride and self-esteem;" and
- "encouragement of active roles in local, state and national organizations of the profession."

Those may be fine goals and objectives for the nation's pharmacy practitioners, but they're not a sufficient basis for making a decision on overhauling the educational requirements for health care providers.

It's not possible to even begin to evaluate the advantages and drawbacks of a universal Pharm.D. program without at least knowing the length of this proposed new mandatory entry-level curriculum.

Shifting to a six-year basic educational requirement could add tens of thousands of dollars to the cost of obtaining an entry-level pharmacy degree.

How many students would be discouraged from considering a pharmacy education by the extra costs associated with an additional year of schooling?

What's the likely long-term impact on pharmacy manpower and on the cost of pharmaceutical services to the public?

Since the joint statement studiously avoids any indication of the number of years required under this new entry-level program, it's not possible to address the important public policy issues surrounding the mandatory Pharm.D. concept.

An all Pharm.D. curriculum may well be defensible, desirable and even critically important to the health of the nation in the 21st century.

But it's up to the advocates of such a change to outline the benefits and costs of their proposal to the profession and to the public.

So far, they haven't done this.

DRUG STORE NEWS

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Allan Patrick Genovese Drug Stores Inc.
Tim McAlear Pay Less Drug Stores
Frank Newman F & M Distributors
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Longs 1st-qtr. sales up; net income decreases

WALNUT CREEK, Calif. — Longs Drug Stores posted a 6 percent increase in sales and a 3 percent decrease in net income for the first quarter. Sales for the period ended April 30, 1992 were $601,695,000, up from $569,224,000 for the same quarter last year. Net income declined from $14,070,000 to $13,693,000.

William Combs, vp of administration and corporate relations, said: "We are seeing some improvement in the economy and the consumer's buying habits. In the last several weeks, sales have been particularly strong." He noted that cost-containment efforts by the chain have begun to show results for the first time since the economy began to weaken.

Genovese reports sales rise, net income down in first qtr.

MELVILLE, N.Y. — Genovese Drug Stores reported a 3.9 percent sales increase in its first quarter ended May 22, 1992 to $138.1 million, up from $132.9 million sales in the same year-ago quarter.

Net income fell, however, to $1.3 million from $1.4 million in sales for the comparable period the previous year. Jerome Stengel, vp and treasurer, said the decrease was due to operating within leaner margins, a strategy Genovese had taken to remain competitive in a difficult market and economy.

Stengel said that earnings were helped by tight controls on operating costs. "Our operating expenses were up 1.9 percent," he said. "We kept a tight hold on operating costs by reducing inventories, which brought our interest way down."

Acquisition drives Vons' gains

ARCADIA, Calif. — The Vons Companies reported a 3.7 percent sales increase on $1.3 billion for the first quarter ended March 22, 1992, compared with $1.2 billion for the same period last year. The increase primarily reflects the January 1992 acquisition of 18 Williams Bros. Markets in California's central coast. Same store sales were up 0.3 percent over the comparable period last year. Gross margins increased to 24.8 percent compared with 23.7 percent, an increase attributed to the company's ongoing remodel and upgrade programs, use of promotional and other buying opportunities as well as the pass through of market-wide structural cost increases.

During the first quarter of 1992, the company opened one Vons food and drug store in Henderson, Nevada and completed seven remodels and one upgrade. To date, Vons operates 339 stores and is the largest supermarket operator in Southern California.

Moore's net income up, sales down

NEW BRITAIN, Conn. — Moore Medical Corp. announced sales for its first quarter ended March 28 were $76.1 million, down 10 percent from the same quarter one year ago, although net income jumped to $746,000 in the quarter compared with $257,000 in the 1991 quarter. "Sales were down because we lowered the discount on many products which served to make the prices higher," said John Murray, vp finance. That move cost the company some customers and the sale of many products which were yielding low margins.

Mark E. Karp, Moore's president and ceo, said the company decided in mid-1991 to "curtail sales of brand name pharmaceuticals at unacceptably low margins."

The bad news for sales proved to be a good move for income. The company sold less product, but at higher gross margins. Murray said the company's gross profit margin for the first quarter was 11.5 percent, the company's highest in two years. Margins for the same period in 1991 were at 10.3 percent.

Operating income, said Murray, was up $200,000 for the quarter.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 12 June 22, 1992

MARKET DIARY:

Largest Dollar Gainer	American Stores	$ 4.13	Advances	21
Largest Dollar Loser	Bristol-Myers Squibb	$ – 7.00	Declines	38
Largest Percentage Gainer	Bolar Pharmaceutical	42.25%	Unchanged	4
Largest Percentage Loser	Smith's Food & Drug	– 15.88%	New highs	1
			New lows	9

	Close 5/26/92	Close 6/9/92	Net Change	Percent Change
Drug Store News Index	4633.45	4554.89	– 78.56	– 1.70
Dow Jones Industrial Average	3364.21	3369.92	– 5.71	0.17
Standard & Poor's 500-Stock Index	411.41	410.06	– 1.35	– 0.33
N.Y.S.E. Composite	226.86	225.95	– 0.91	– 0.40
Value Line Index	254.06	253.46	– 0.60	– 0.24

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 5/26/92	Closing Price 6/9/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.75	4.75	0.00	0.00	19	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	20.50	18.25	– 2.25	– 10.98	19	0.12	0.66	25.25	17.50
OTC	Big B	BIGB	13.50	12.00	– 1.50	– 11.11	13	0.20	1.67	16.25	10.63
OTC	Drug Emporium (L)	DEMP	6.25	6.00	– 0.25	– 4.00	—	0.08	1.33	9.25	5.00
NYS	Fay's Inc.	FAY	9.88	9.63	– 0.25	– 2.53	18	0.24	2.49	15.25	8.25
ASE	Genovese Drug (L)	GDX.A	9.38	8.38	– 1.00	– 10.67	9	0.24	2.87	14.75	8.13
NYS	Longs Drug Stores	LDG	34.13	34.50	0.38	1.10	13	1.12	3.25	44.38	33.13
OTC	Medicine Shoppe	MSII	25.75	24.00	– 1.75	– 6.80	17	0.36	1.50	30.75	19.00
NYS	Perry Drug	PDS	8.25	9.13	0.88	10.61	13	0.00	0.00	11.63	6.50
NYS	Rite Aid Corp.	RAD	21.13	20.25	– 0.88	– 4.14	14	0.52	2.57	23.75	17.25
NYS	Walgreen Co.	WAG	31.25	30.88	– 0.38	– 1.20	18	0.52	1.68	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	20.88	19.75	– 1.13	– 5.39	15	0.40	2.03	23.91	16.00
OTC	Bindley Western Ind.	BIND	16.88	15.50	– 1.38	– 8.15	9	0.04	0.26	20.75	13.50
OTC	Cardinal Distribution	CDIC	29.38	29.50	0.13	0.43	22	0.08	0.27	38.75	22.50
OTC	Durr-Fillauer	DUFM	21.75	22.00	0.25	1.15	15	0.28	1.27	32.75	17.50
NYS	FoxMeyer Corp.	FOX	13.25	13.25	0.00	0.00	13	0.28	2.11	16.63	10.75
NYS	McKesson Corp.	MCK	31.38	31.63	0.25	0.80	35	1.60	5.06	40.13	30.75
ASE	Moore Medical	MMD	6.38	6.63	0.25	3.92	22	0.00	0.00	7.38	3.00
NYS	Owens & Minor	OMI	18.13	17.50	– 0.63	– 3.45	18	0.24	1.37	24.25	15.25
Manufacturer's transactions											
NYS	Abbott Labs	ABT	32.63	27.75	– 4.88	– 14.94	21	0.60	2.16	34.88	24.56
NYS	American Home Products	AHP	74.25	69.88	– 4.38	– 5.89	15	2.60	3.72	86.25	59.25
ASE	Barr Laboratories (L)	BRL	9.63	8.88	– 0.75	– 7.79	19	0.00	0.00	37.50	8.50
NYS	Baxter International	BAX	37.38	35.38	– 2.00	– 5.35	17	0.84	2.37	40.88	31.50
OTC	Block Drugs Co.	BLOCA	48.50	46.50	– 2.00	– 4.12	15	0.88	1.89	61.00	45.00
ASE	Bolar Pharmaceutical	BLR	8.88	12.63	3.75	42.25	—	0.00	0.00	14.50	3.00
NYS	Bristol-Myers Squibb (L)	BMY	71.50	64.50	– 7.00	– 9.79	16	2.76	4.28	90.13	64.50
NYS	Carter-Wallace	CAR	29.00	27.50	– 1.50	– 5.17	28	0.32	1.16	45.84	20.53
ASE	Columbia Labs	.COB	5.88	5.50	– 0.38	– 6.38	—	0.00	0.00	10.38	4.75
ASE	Del Laboratories	DLI	20.50	20.13	– 0.38	– 1.83	15	0.28	1.39	24.38	16.88
ASE	Forest Labs	FRX	32.00	31.75	– 0.25	– 0.78	28	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	6.69	6.75	0.06	0.93	24	0.00	0.00	9.75	4.56
NYS	ICN Pharmaceutical	ICN	12.25	11.88	– 0.38	– 3.06	12	0.00	0.00	25.38	4.63
NYS	Johnson & Johnson	JNJ	47.75	45.13	– 2.63	– 5.50	10	18.40	40.78	117.38	45.13
ASE	Lee Pharmaceutical	LPH	1.38	1.50	0.13	9.09	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.88	14.88	0.00	0.00	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co. (L)	LLY	65.38	64.63	– 0.75	– 1.15	14	2.20	3.40	87.75	64.50
NYS	Marion Merrell Dow	MKC	32.25	32.75	0.50	1.55	15	1.00	3.05	39.00	27.25
NYS	Merck Co.	MRK	49.63	48.75	– 0.88	– 1.76	26	0.92	1.89	56.59	38.09
NYS	Mylan Labs	MYL	34.75	36.75	2.00	5.76	34	0.20	0.54	43.25	23.25
NYS	Novo-Nordisk	NVO	87.75	87.00	– 0.75	– 0.85	18	0.60	0.69	96.00	61.75
OTC	Nutramax Products	NMPC	10.00	10.25	0.25	2.50	26	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	71.50	69.63	– 1.88	– 2.62	32	1.48	2.13	87.00	55.50
NYS	Pharmaceutical Resources	PRX	6.00	5.50	– 0.50	– 8.33	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	57.13	55.38	– 1.75	– 3.06	22	0.64	1.16	69.38	41.25
NYS	Schering Plough	SGP	50.50	50.25	– 0.25	– 0.50	16	1.56	3.10	68.00	48.88
NYS	Syntex Corp. (L)	SYN	41.13	35.13	– 6.00	– 14.59	17	1.04	2.96	56.00	34.00
OTC	Taro-Vit Industries	TAROF	9.00	9.00	0.00	0.00	129	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	26.00	24.63	– 1.38	– 5.29	26	0.20	0.81	28.38	11.75
NYS	Upjohn Co. (L)	UPJ	34.38	32.88	– 1.50	– 4.36	11	1.36	4.14	47.88	32.50
NYS	Warner-Lambert	WLA	62.00	60.25	– 1.75	– 2.82	49	2.04	3.39	79.25	60.25
OTC	Zenith Labs (H)	ZENL	21.50	22.00	0.50	2.33	—	0.00	0.00	24.50	7.00
Other retailer transactions											
NYS	Albertson's	ABS	38.50	39.88	1.38	3.57	23	0.64	1.61	44.88	32.75
NYS	American Stores	ASC	30.63	34.75	4.13	13.47	11	0.68	1.96	42.50	26.00
NYS	Giant Food	GFS.A	20.00	20.75	0.75	3.75	14	0.68	3.28	30.25	19.75
NYS	Great Atlantic&Pacific Tea	GAP	31.38	31.88	0.50	1.59	17	0.80	2.51	46.38	25.00
NYS	Kmart	KM	22.88	23.25	0.38	1.64	12	0.92	3.96	27.50	19.06
NYS	Kroger	KR	17.88	16.75	– 1.13	– 6.29	14	0.00	0.00	24.50	15.38
NYS	Melville Corp.	MES	46.13	44.75	– 1.38	– 2.98	14	1.48	3.31	52.00	38.25
OTC	Fred Meyer	MEYR	25.50	26.88	1.38	5.39	15	0.00	0.00	29.25	16.00
NYS	Penney, JC	JCP	64.75	65.63	0.88	1.35	27	2.64	4.02	69.38	47.13
NYS	Safeway (L)	SWY	14.13	12.00	– 2.13	– 15.04	21	0.00	0.00	20.25	12.00
NYS	Smith's Food & Drug (L)	SFD	34.63	29.13	– 5.50	– 15.88	17	0.44	1.51	43.25	29.00
NYS	Wal-Mart	WMT	51.75	54.13	2.38	4.59	37	0.20	0.37	59.88	41.88

Note: Abbott Labs and Kmart completed 2-for-1 stock splits.
Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Chains deliver value to earn consumer edge in the '90s

Focus on skin, sun and bath

By Elizabeth Parks

As the retail marketplace grows more and more competitive, chain drug stores are using every means possible to enhance their attractiveness to consumers.

Most chains realize that their greatest strength lies in the convenience of their locations as well as in their ability to get customers in and out of their stores fast.

In many instances, chain executives also think that it's equally important to give their customers a broad range of product selection, and, whenever possible, personal service, not just in pharmacy but in cosmetics as well.

But the problem today is that upper management in most of the competitive trade classes feel the same way. Whether it's Wal-Mart or Avon or a specialty chain like the Body Shop, everyone is trying to give the American shopper more value for the money.

Since no one chain can do everything perfectly, it is helpful to know exactly what the average American shopper wants most from the stores they patronize, and then to concentrate on giving them these top priority services as efficiently and consistently as possible.

To help chain drug stores develop a strategic edge in this very important area, Drug Store News five years ago began to sponsor an annual Consumer Beauty Care Buying Habits Study.

The study, implemented by the Princeton-based Gallup Organization, explores consumer attitudes toward brands and trends in hot categories like facial moisturizers, sun care, hair styling products and bath care.

It also monitors how often consumers shop drug stores for beauty care versus how often they shop competitors in other retail segments. This year's report includes a score card that tells how consumers rate drug stores versus the competition.

Gallup also got consumers to say what they want in a beauty care department and how drug stores perform in the areas most important to them.

GALLUP '92

Better variety, merchandising spurs facial care sales

Facial care products have become one of the top growth categories of the 90's.

Brands as diverse as Clinique and Pond's Cold Cream are constantly being extended, relaunched, repositioned or revitalized with a "major technological breakthrough" through the magic of marketing, to appeal to a broader and often much younger market base.

The sun and the graying of the baby boom generation are responsible for some of this activity. Because of the media's emphasis on sun protection to avoid or minimize signs of aging or skin damage, women are buying a wide assortment of sun damage prevention products, almost always starting out with a moisturizer and then, in more cases, moving on to add toners, cleansers, rehydrating lotions and other products to their regimen.

The media puts a tremendous stress on youthfulness and the importance of a healthy life style to enhance the quality of one's life, and that has also done wonders to fuel the growth of skin care products.

All types of retailers—from drug stores to mass merchandisers to food stores to cosmetic specialty shops—have targeted facial care consumers. More than ever, they've expanded and advertised their product assortment, spruced up their merchandising presentations and offered bonus sizes, free samples and other extra values to attract these more educated consumers.

The media's emphasis on looking young and healthy has helped make moisturizers and other skin products top sellers.

Consumer penetration, usage

It's easy to see why the category has been so dynamic. All these outside forces have conspired to give facial moisturizers an extremely large user base and an extremely high use-up, replenishment rate. In this year's Consumer Buying Habits Study, Gallup discovered that 69 percent of all women had used a moisturizer in the course of the past month.

To show how passionate many women are about moisturizers, 53 percent of all users said they soften their face at least once a day, while 35 percent confirmed they use a moisturizer on their face more than once a day.

Many women now carry moisturizers in their briefcases and gym bags, and each time they wash their face, they rehydrate it with moisturizers.

The media puts a tremendous stress on youthfulness and the importance of a healthy lifestyle to enhance the quality of life, and that fueled the growth of skin care products.

New activity fuels growth

Of course, manufacturers have done their part to fuel the category. In the past three years or so, women have been exposed to more advertising for moisturizers than ever before. One company, Cosmair, spent over $16 million to launch L'Oréal Plénitude.

Major companies like Procter & Gamble (Oil of Olay, Noxzema and Clarion) and Unilever (VIC and Pond's) regularly advertise their brands in all major media vehicles, while smaller companies like Neutrogena or the Almay division of Revlon carefully niche their market and target their advertising where it will have maximum impact.

On top of this, door-to-door and direct marketing companies like Avon and Mary Kay have also been very active in the category. Their sales representatives spend hours meeting with consumers explaining how their newest formulas will ward off visible signs of aging without costing an arm and a leg.

If some women aren't comfortable buying skin care products unless they are pricey, there are always Clinique and Estée Lauder, the two dominant skin care brands in prestige department stores.

Distribution patterns change

Now, some of the Lauder and Clinique moisturizers are trickling down into a select circle of mass market stores to reach an even broader market, and chains like Wal Mart, Drug Emporium and Genovese are giving greater distribution to the more expensive lines to enhance their own cosmetic image while simultaneously satisfying their customers by making these brands convenient and often less expensive to acquire.

Still, it's interesting to note that facial moisturizers, unlike fragrances, have not become a "status category."

Continued on page 53

Moisturizers are frequently used products and the frequency is growing

	Percentage of women using a moisturizer 1992	Percentage of women using a moisturizer 1991
More than once a day	35%	24%
Once a day	53	54
Less often	12	22

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Merchandising, variety spur facial care sales

Continued from page 48

The department store fragrance lines, like Obsession, Eternity and Passion, are growing mush faster than their mass market counterparts.

Value, not fantasy

In skin care, however, women have a preference for affordable brands with a respectable image and proven effectiveness.

Gallup discovered, for example, that many moisturizer users, 47 percent, choose a mass brand when they buy a moisturizer. Then, as women get older, they experiment with department store brands more frequently than before. Twenty-three percent of women 65 and older and 20 percent of women 50 to 64 said their favorite moisturizer was a department store brand, compared to 8 percent of women 35 to 49.

Door-to-door brands are weakest with the older age groups. Only 10 percent of users 65 plus said their brand of facial moisturizer was a door-to-door brand compared to 19 percent of users 35 to 49 and 18 percent of users 18 to 34.

Since, after Olay, the Mary Kay door-to-door brand was the second most popular brand, it is interesting to note that it drew its strength from its popularity with women 18 to 49.

Fourteen percent of women 18 to 34 and 11 percent of women 35 to 49 named Mary Kay as a favorite brand compared to just 2 percent of women 65 and older who gave this response.

It is very likely that Mary Kay and other door-to-door sales reps are just not reaching older women as much or as often as they are reaching other segments of the female population. To a certain extant, Avon displayed a weakness with younger users. Just 3 percent of women 18 to 34 said Avon was their favorite brand compared to 11 percent of women 50 to 64 who picked Avon. Meanwhile Olay, which has the broadest possible distribution and impactive advertising, was favored by all the various age segments almost equally.

Interestingly, Neutrogena, which has a much smaller advertising budget than Olay, emerged as the second most popular mass market facial moisturizer. Neutrogena ranked fifth in popularity, ahead of Estée Lauder, Ponds, VIC, Noxzema, Revlon and Almay.

Like Mary Kay and Avon, Neutrogena tries to satisfy its customers' informational needs. Not through service assistance, but by advertising in ways that carefully describe the different products and their various end user benefits.

Single product or regimen?

Still, with all the fuss that women are making today over skin care, they continue to have the idea that one product will do for all their needs.

Just 27 percent of all users said they used a full regimen of products, toners, cleansers, etc., rather than just one single multi-purpose product. The vast majority of women, 72 percent, said they use only one product for all of their skin care needs. It seems that there is still a long way to go before American women adopt the regimen skin care approach so common in overseas countries.

But with all the action happening in this category, it is hard to believe that day isn't coming—and probably sooner than we think.

Many women, especially young and active women, carry moisturizers in their briefcases and gym bags, and each time they wash their face, they rehydrate it with moisturizers.

Favorite brands of moisturizer: Mass brands are growing in popularity

	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50-64	65 Plus
Oil of Olay	22%	21%	20%	24%	23%	19%
Mary Kay	10	10	14	11	5	2
Clinique	7	8	10	4	7	10
Avon	11	7	3	8	11	8
Neutrogena	1	4	5	2	2	5
Estée Lauder	5	3	0	2	10	5
Pond's	1	3	0	1	5	11
Vaseline Intensive Care	1	3	2	4	2	4
Revlon/European Collagen	2	3	1	1	1	8
Noxzema	0.3	2	5	1	0	0
Almay	1	2	1	3	2	2
Lubriderm	0.4	2	1	2	2	2

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Most women name a mass market brand as their favorite

	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50-64	65 Plus
Mass market brand	40%	47%	47%	48%	47%	52%
Department store brand	20	14	13	8	20	23
Door-to-door brand	22	17	18	19	16	10

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

With all the fuss that women are making today over skin care, they continue to have the rather simplistic idea that one product will do for all their needs.

Face care sales' full potential awaits in drug stores

Drug stores are where most women buy facial care products, but even though drug stores capture the dominant share of sales in this category, they still have enormous potential to build this business into an even stronger franchise.

According to the Gallup study, 37 percent of all women who use moisturizers buy their brand "most often" in a drug store.

Approximately half, 47 percent, of all women who use a moisturizer, however, choose a mass brand like Oil of Olay or Neutrogena as their favorite brand, and out of this universe of mass brand users, only six out of 10 buy their mass brand in a drug store.

Three out of 10 women who buy mass brands are picking up their favorites in a food or a discount department store, and the remaining percent are buying elsewhere (i.e. mail order, Mom and Pop corner store, beauty supply shop, etc.)

Since four out of every 10 mass brand users are shopping for moisturizers somewhere other than a drug store, this can be seen both as a threat and an opportunity.

Food stores and discount department stores, particularly, are taking share away from drug stores, but knowing that this is a trend can help drug stores become more competitive.

The value of older customers

Gallup discovered that drug stores are capturing more moisturizer sales from women 65 and older than they are from younger women.

Forty-eight percent of all moisturizer users who are 65 and older buy their favorite facial moisturizer brand in a drug store. Only 13 percent make such a purchase in a discount store and only 1 percent buy a facial moisturizer in a food store.

Older women, of course, use a lot of prescription and remedial products and drug stores have invested heavily in making their pharmacy departments comfortable and friendly places in which to shop.

They are also very careful to keep their prescription prices competitive, and they make it a priority to always give their customers helpful, friendly service.

'Halo effect' of pharmacy

These things matter to consumers very much and so the expertise that drug stores have cultivated in their pharmacies seems to have a halo effect on their other departments.

As top drug chains have proven over and over again, once they have the pharmacy shopper in their store, waiting for a prescription, they have opportunities to generate all kinds of impulse sales in other categories.

Now the challenge is for drug stores to make other select key departments, such as cosmetics, photo finishing, greeting cards, convenience foods, etc. as attractive as they've made the pharmacy department.

That would help bring in more

Continued on page 62

The graying of the baby boom generation is partly responsible for some of the strong growth in the dynamic face moisturizer category.

Where women who use mass brand moisturizers buy most often

	All women who use moisturizers		All women who use a mass brand	
	1991	1992	1991	1992
Regular drug store	19%	19%	31%	31%
Deep discount drug store	14	18	27	29
Net drug stores	33	37	58	60
Door-to-door	24	19	0	0
Department stores	21	17	0	0
Food stores	5	9	8	15
Discount stores	9	9	15	14
Specialty cosmetic stores	4	3	0	0
Mail order	2	2	0	0

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Where women shop most often for moisturizers
Broken out by age groupings

	All women 1991	All women 1992	Among women within these age groups 18-24 1992	35-49	50-64	65 Plus
Regular drug store	19%	19%	21%	15%	18%	23%
Deep discount drug store	14	18	14	20	14	24
Net drug stores	33	37	36	35	32	48
Door-to-door	24	19	21	21	18	12
Department stores	21	17	18	13	22	17
Discount stores	9	9	6	9	9	13
Food stores	5	9	10	12	8	1
Specialty cosmetic stores	4	3	4	2	5	0
Mail order	2	2	1	2	3	3
Health stores	0	1	0	3	0	1

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

What women spend when they buy by brand type

	All moisturizers	Mass brand	Department store brand	Door-to-door brand
Mean	$13.36	$11.13	$22.31	$11.50
Median	8.00	6.00	20.00	10.00

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

What women generally pay for moisturizers based on age groupings

	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50-64	65 Plus
Mean	$10.70	$13.36	$15.86	$11.68	$16.50	$11.52
Median	7.00	8.00	7.00	8.00	8.00	6.00

Based on women who used a moisturizer in the past 4 weeks.

Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

As women get older, they experiment with department store brands. Twenty-three percent of women 65 and older said their favorite moisturizer was a department store brand, compared to 8 percent of women 35 to 49.

Consumer awareness grows with mass brand popularity

Last year, Oil of Olay was ranked as the most popular facial moisturizer brand in the *Drug Store News*/ Gallup Consumer Buying Habits Study, but it was the only mass brand to make it into the Top Six.

This year it is still No. 1, but now it has company, as a number of mass brands inched up in popularity.

Neutrogena, for example, elbowed past Estée Lauder and Lancôme to become the study's fifth most popular moisturizer brand.

Unilever's Ponds and VIC Intensive Care Lotions and the Revlon skin care line, which includes European Collagen Complex, tied with Estée Lauder for the sixth slot, and Noxzema, Almay and Lubriderm, all tied for the seventh spot ahead of Lancôme.

For some time now, skin care buyers have been reporting that their sales of facial moisturizers have been steadily, sometimes dramatically, increasing and they frequently attribute part of that growth to women switching from department store brands to mass market brands like Plenitude, Olay, Revlon, Almay, Neutrogena and Lubriderm.

Many buyers are convinced that the formulas for mass brands work just as well as the formulas for department store brands, and they say that the average woman thinks this as well.

Drug store skin care buyers also point out that their stores are easier to shop and more convenient than department stores.

And now that many department stores are cutting back on service and experimenting with self-service fixtures, they are losing one of the few last advantages they had over drug and other mass merchandise stores.

When women are asked to pay $20 to $50 for a skin care item, they want someone behind the counter to tell them why the product deserves to cost this much—what its benefits are.

A mass brand like Olay or Neutrogena, on the other hand, is not anywhere near as expensive, has a much simpler story to tell, has a tradition of excellence and is more widely and frequently advertised than department store brands.

So it's not a surprise to find Olay continuing to dominate the category, or to learn that other mass brands are broadening their base of users at the expense of the Lancômes and Lauders.

Many buyers are convinced that the formulas for mass brands work just as well as the formulas for department store brands.

Drug stores draw most face care buyers

Continued from page 54

younger shoppers, the teens with all their beauty aid needs in mind, the young mom or working women interested in convenience and low prices on every day necessities, the sophisticated shopper who appreciates selection and service help when it's needed.

Drug stores might also want to rethink their strategy for merchandising facial moisturizers.

Right now, the strongest presentation, in most chains, is in the toiletries department. And the brands with the broadest consumer following are always merchandised in this section: Olay, Neutrogena, Ponds', VIC, etc.

But 67 percent of moisturizer users in the Gallup Beauty care survey said they expect to find moisturizers in the cosmetics department. Only 26 percent said they expect moisturizers to be displayed with toiletries.

It seems logical that drug stores could increase the visibility of the category, expose it to more traffic and more impulse buying opportunities if they created a skin care center inside cosmetics, and merchandised the bulk of their moisturizers there.

Many chains have experimented with such centers and the general response has been positive.

Overall customers react positively to a skin care center and it has often helped increase sales on related items, since a family presentation within a skin care center makes it easy for customers to buy other types of products from the same family.

The trade-off is that some customers have been confused by the centers and some cosmetic family lines like Almay and Clarion suffer when their skin care products are merchandised off the wall away from the color family in the line.

Another problem, of course, is space, but the upscaling of the skin care category, together with the expectations of customers that skin care is a cosmetic department, seems to call for such an approach.

As Gallup discovered in this year's survey, price points on moisturizers are going up. Last year, a moisturizer user spent an average $10.70 for a facial moisturizer. This year, she spent $13.36. The average for a mass brand was $11.13.

Since women expect to spend more money on a cosmetic purchase and less on a toiletry purchase, it also makes sense to merchandise a broader assortment of skin care items in the cosmetics department.

Since, according to Gallup, women spend an average $22.31 on department store lines, the $11.13 they would spend on average in a drug store cosmetic department would still seem like a value to them.

But if they spent that same money in the toiletry department of a drug store, where competition has caused so many chains to cut margins and lower prices, they might feel taken advantage of.

To some shoppers, many products in a toiletry department are simply commodities.

But to most women, products merchandised in cosmetics are special. Therefore higher price points are easier to justify.

Missed opportunities

71% of women who buy their moisturizers most often from other types of trade stores say they never buy their moisturizers in drug stores.

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

Most women use single products rather than a skin care regimen system

	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50-64	65 Plus
Use a regimen	30%	27%	26%	35%	27%	17%
Use one product	63	72	74	65	71	83

Based on women who used a moisturizer in the past 4 weeks.
Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Sun care products viewed as a necessity; used by all ages

Once upon a time, the sun was our friend, and men, women and children lusted for a chance to bask in it.

Not anymore, of course, since worries about the disintegrating ozone layer and fears about ultra violet rays have turned Old Sol into the skin care category's version of Public Enemy No. 1.

In talking to consumers for this year's Purchase Buying Survey, Gallup found that in the past year, 44 percent of Americans had used some type of sun care product.

In the western part of the country, where intense sunlight is a year-round phenomenon, 49 percent of all residents had used a sun care product in the past year.

The heaviest users, 52 percent, were between the ages of 25 and 49. Men were almost as likely as women to use them. Forty-one percent of men and 47 percent of women said they were users.

Clearly, sun protection products are not viewed as cosmetic or beauty enhancement items. As anyone who has ever experienced a severe sunburn knows, sun blocks are truly prevention products, and therefore not limited in their appeal by sex or age.

Sun care products aren't viewed as cosmetic or beauty enhancement items. As anyone who has ever experienced a severe sunburn knows, they're truly prevention products and not limited in their appeal by sex or age.

Popular brands

Forty-seven percent of all users said they bought a mass brand most often, and this makes sense since there has been a long-standing popularity of such proven brands as Coppertone, Hawaiian Tropic and Bain de Soléil.

In this category, there was clearly a dominant leader: Coppertone, named by 26 percent of all men and 15 percent of all women as their favorite brand.

Door-to-door brands were not really contenders in this category, and in department stores, only Estée Lauder was mentioned often enough to make our list of the top six highest ranked brands.

But while 20 percent of users named Coppertone as a favorite brand, only 3 percent picked Lauder.

Despite the fact that mass merchandise stores and food stores have been beefing up space allocations for sun care, most consumers—49 percent—still bought their favorite brand in a drug store. Fifty percent of all men and 47 percent of all women said this was where they most often bought it.

Drug stores, of course, carry an extensive collection of sun care brands, particularly during peak season. They are also much more convenient to shop than other types of store outlets.

Chain drug sun care buyers also say that consumers often have questions about which brand to buy or what SPF factor is right for their skin, and so it helps, they say, to have a pharmacist or a cosmetician handy who can help shoppers solve these problems.

Favorite brand of sun care product

Brand	Total	Men	Women	Consumers within these age groups 18-24	25-34	35-49	50 Plus
Coppertone	20%	26%	15%	29%	26%	17%	11%
Hawaiian Tropic	5	6	5	8	5	9	1
Bain de Soléil	5	2	7	5	6	4	3
Johnson & Johnson	5	6	3	1	7	4	5
Avon	4	0	6	2	1	7	2
Estée Lauder	3	2	4	3	2	3	5
Mary Kay	2	0	4	4	3	3	1
Shade	2	1	3	4	2	0	4
Store brand	2	2	1	0	2	2	1

Base: Consumers who used a sun tan or sun protection products in the past year.

Source: *Drug Store News*/Gallup 1992 Consumer Survey

Where consumers most often buy sun care products

Trade class	Total	All Men	All Women	Among consumers in these age groups 18-24	25-34	35-49	50 Plus
Regular drug stores	25%	29%	22%	24%	21%	23%	33%
Deep discount drug stores	23	21	25	20	25	25	21
Net all drug stores	49	50	47	44	46	49	54
Food stores	18	24	13	32	22	15	10
Discount stores	13	14	13	5	16	16	12
Department stores	7	3	10	6	4	5	10
Door-to-door	6	0	12	6	4	10	6
Tanning salon	1	1	1	0	1	1	0
Specialty cosmetic stores	1	1	1	0	2	0	0

Base: Consumers who used a sun care product in the past year.

Source: *Drug Store News*/Gallup 1992 Consumer Survey

Mass market sun care brand is the most frequent choice

Type of brand	Percentage who say they use it most often
Mass brand	47%
Department store brand	4
Door-to-door	6

Base: Consumers who used a sun tan or sun protection products in the past year.

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Percentage of Americans who have used sun care products in the past year

44%

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Men and women are similar in their use of sun tan and sun protection products

Percentage who purchase Total	Men	Women	Consumers in these age groups 18-24	25-34	35-49	50-64	65 Plus
44%	41%	47%	45%	52%	52%	40%	23%

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Bath care sales reflect more than cleansing

The bath and body category, like facial moisturizers, is growing in popularity with American women. According to the latest *Drug Store News*/Gallup Consumer Buying Habits Survey, 67 percent of all American women use some type of bath care product other than soap.

Twenty-six percent use a bath additive such as an oil, lotion or bath beads; 23 percent use a shower gel or lotion, and 50 percent use some type of after-bath care product such as body oils, lotions, creams or dusting powders.

Just as the growth in facial moisturizers is propelled by a desire to look young and keep skin healthy, bath care sales are also fueled by these factors. But in bath care, there is a growing consumer perception that the bathing ritual is more than just a cleansing routine, it is an opportunity to reduce stress and pamper oneself.

Where women most often buy bath additive or shower products

Trade class	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50 Plus
Deep discount drug stores	18%	22%	22%	32%	15%
Regular drug stores	17	13	13	11	15
Net all drug stores	35	35	35	43	31
Door-to-door	20	20	24	12	20
Discount stores	16	15	14	15	14
Department stores	9	10	9	2	18
Food stores	13	9	6	13	11
Specialty cosmetic stores	2	6	9	9	0

Base: Women who ever use bath additives or shower gels.
Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Bath & the spa mystique

Many bath product manufacturers use a spa image or a spa theme to explain to potential customers that the bath and the ritual application of lotions and creams that accompany it can be good for mind as well as body.

Bristol-Myers, which markets Keri Lotions for the Westwood Co., recently kicked off an entire marketing and advertising campaign built around the theme "Living The Spa Life At Home."

For the promotion, Bristol-Myers Products partnered Keri Lotion with one of the country's most prestigious resorts, the Green Valley Spa in Utah.

Together Keri and Green Valley produced a free consumer booklet called "A Guide to Living The Spa Life At Home," and in the introduction the booklet informs consumers that while they may not be able to get away for a week's stay at a health spa, "many elements of the spa life can become part of everyday living."

The booklet goes on to tell readers how to enjoy an aromatic bath at home using such props as loofas (another dynamic growth category in drug and discount stores), a tape of soothing, instrumental music, perfumed candles, fresh flowers, a soft inflatable pillow, thick luxurious towels, a comfortable terry cloth robe, and, of course, an Alpha Keri cleansing bar, Alpha Keri Moisture Rich Body Oil, and Keri Silky Smooth Daily Moisturizing Lotion for after the bath.

While Bristol-Myers to date has been the most direct in forging a link with the spa lifestyle, many other bath care manufacturers play on the same theme, in their packaging, point-of-sale materials, displays, advertising and product formulas.

Think of the packaging and displays for La Loren's Sarah Michaels bath line and loofas or Del Labs Naturistics and Delagar's Natural Essence bath and body lines, or of the packaging and advertising for lines like Jean Naté, Vita Bath, Neutrogena, Yardley, Soft Soap's Effervescing Bath Tablets, the European bath line, Fa, Spa loofas, etc.

The positioning that almost all the bath and body lines take these days suggests that using these products will help soothe, relax, energize or pamper those who are tired or stressed in body or mind.

Value-priced bath care

There is also growth in another key segment of the bath category: the value priced lines like Calgon or VIC Bath Beads, and in the children's lines like Care For Kids or Mr. Bubble.

While Calgon and VIC currently dominate the low price, commodity end of the bath additive/shower gel category segment, excluding these two brands, the rest of the category is fragmented, suggesting that there is an opportunity for new players with plenty of advertising support behind them to fuel growth even more dramatically.

Popular bath brands

In terms of consumer popularity, Gallup found that the bath additive category's strongest brand isn't even a mass brand.

It is Avon, a door-to-door brand, and it is, with a 25 percent popularity rat-

Continued on page 69

The types of bath products consumers use most

Type	All women 1991	All women 1992	Among women within these age groups 18-24 1992	25-34	35-49	50-64	65 Plus
After bath/after shower (dusting powders, body oils, lotions, etc.)	56%	50%	53%	53%	53%	48%	42%
Bath additives	27	26	38	24	22	36	16
Shower gels	14	23	25	29	24	24	10

Base: among women who use bath products.
Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

Favorite brand of bath additive or shower gel

Brand	All women 1991	All women 1992	Among women within these age groups 18-34 1992	35-49	50 Plus
Avon	33%	25%	27%	17%	30%
Calgon	5	9	7	12	10
Vaseline Intensive Care	4	7	8	1	10
Neutrogena	7	6	9	7	1
Vitabath	2	4	1	9	3
Johnson & Johnson	6	1	2	3	0
Jean Naté	1	1	2	2	0
Aveeno	0	1	0	2	2
Nivéa	1	1	3	0	0
Soft Soap's Village Bath Effervescing Tablets	0	1	1	1	0

Base: Women who ever use bath additives or shower gels.
Source: *Drug Store News*/Gallup Organization 1992 and 1991 Consumer Survey.

The positioning that most bath and body lines take suggests that using these products will help soothe, relax or pamper those who are tired or stressed in body or mind.

Bath care reflects more than cleansing sales

Continued from page 67

ing in the Gallup survey, as strong a brand in this category as Olay is in facial moisturizers.

But in the year since Gallup last looked at the bath care category for *Drug Store News*, there has been some slippage in Avon's popularity.

In 1991, Gallup found that 33 percent of the women in the study named Avon as their favorite bath additive or shower cleanser. This year, that percentage dropped eight points, and picking up the slack were mass brands, particularly Calgon and VIC, up four and three points in 1992.

In 1992, 9 percent of the women Gallup surveyed named Calgon as the brand they used "most often" and 7 percent named VIC.

Benckiser, which owns Calgon, and Unilever, which owns VIC, both have the resources to grow their brands even more dramatically in the coming months, and both companies have gone on record saying that they do intend to support their core brands very strongly and for the long term life of their brands.

It is interesting that the chief competitor for bath care sales are the door-to-door companies like Avon or Mary Kay rather than department stores or even specialty stores like the Body Shop.

Competition: bath care sales

Twenty-five percent of the respondents named a door-to-door brand as the one they used most often. Avon and Mary Kay, of course, are much more national in their reach than specialty chains like the Body Shop with primarily very localized, regional distribution.

Only a quarter of the women in the study reported they bought a "mass market bath brand" most often, and because these brands are in so many distribution channels, the competition is stiffer.

Thirty-five percent of the women who used bath additive and shower gel products told Gallup that they bought these products most often in a drug store; another 20 percent said door-to-door and 15 percent said a discount mass merchandise store like Kmart, Wal-Mart or Target.

Who will dominate bath care?

It is clear that bath care is and will remain a growth business for the '90s, but what isn't so clear is what type of trade class will ultimately dominate the category.

Door-to-door companies have done a great job with this category, but today are facing more competition from mass market trade classes than ever before.

Both traditional drug stores, deep discount drug stores and mass merchandise stores like Wal-Mart and Target are going all out to become destination stores for bath care shoppers.

Except for Rite Aid, just about every major drug and discount chain is expanding its space allocation for bath care products. Large stores with space like Wal-Mart, Target, Drug Emporium and F&M have created bath care centers with expanded space for loofa lines like Spa, Lady Elizabeth, Sarah Michaels, as well as for the new soaps, oils, creams and gels that are now emerging in the market.

Door-to-door bath brands high in popularity

Type of brands	Percentage who use it most often
Mass market brand	27%
Door-to-door brand	25
Department store brand	4
Other	36

Base: Women who ever use bath additives or shower gels.
Source: *Drug Store News*/Gallup 1992 Consumer Survey.

DE MARIS
COSMYL
EXPLORE
THE TREASURES
OF THE SEA
COSMYL DEMARIS bath and sea therapy products were first introduced at the world renowned COSMYL SPA & BEAUTY INSTITUTE in Coral Gables, Florida. These products answer the growing scientific evidence that organic marine nutrients help purify, tone and remineralize your skin and body. COSMYL bath products contain sea salt and algaes, which are rich in minerals, vitamins and enzymes, that help maintain cellular life.
Vogue magazine voted the COSMYL SPA one of the best spas in America. Come see the products that make the difference.
BOOTH #651 NACDS
COSMYL

Something new under the sun!
The only cold sore product with sunscreen
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

How well drug stores meet consumer needs

Because it's so important to understand why shoppers pick one type of store over another, at *Drug Store News*'s request, the Gallup Organization asked facial moisturizer users why they chose to shop their preferred store vs. other alternatives available to them.

From that question, Gallup developed a value index that clearly shows what was "very important" to facial moisturizer users and what was only incidentally important.

Gallup also asked the women who were moisturizer users to rate the various trade classes on how well they performed in providing what shoppers said was important to them.

By comparing the performance index for the trade classes studied against the value index of what is "very important," what develops is a very clear picture of how well each trade class manages to satisfy a shopper's basic needs.

What the average customer considers "most important." For example, the value index clearly demonstrates the high value women shoppers placed on price, customer service, the convenience of store location and on fast, efficient service.

Against the 100 that Gallup used as its average index, competitive pricing, for example, was ranked 65 points over average. Customer service, store location and fast service were all 40 points or more over the average. Least important were store decor and colorful displays, ranked 30 and 35 respectively.

Shoppers seem to take it for granted that most stores will have a good variety of brands to choose from, and that they will carry nationally advertised brands, because, at 90 and 85 respectively, the index for these two attributes show that consumers rate them at about average importance.

It appears that giving consumers free samples is a nice gesture but not of any great importance. With a base index of 75, the willingness of a store to distribute free samples of, in this case, facial moisturizers, was less than average importance to women who used moisturizers.

Store location

However, women want stores to be convenient, and on this measure, drug stores clearly outshone the competition. Compared to food, discount and department stores, drug stores generated the highest performance index. In terms of value or high importance, store location had an index of 140. Consumers gave all drug stores a performance index of 173 while regular drug stores like Walgreens, Eckerd and Osco earned the highest rating in the survey: 185.

Customer service

But while drug stores were able to score points on store convenience, they lost some of that advantage when it came to providing customer service, another variable that turned out to be "very important" to shoppers.

Service was so important to custom-

Continued on page 72

The services that most consumers want

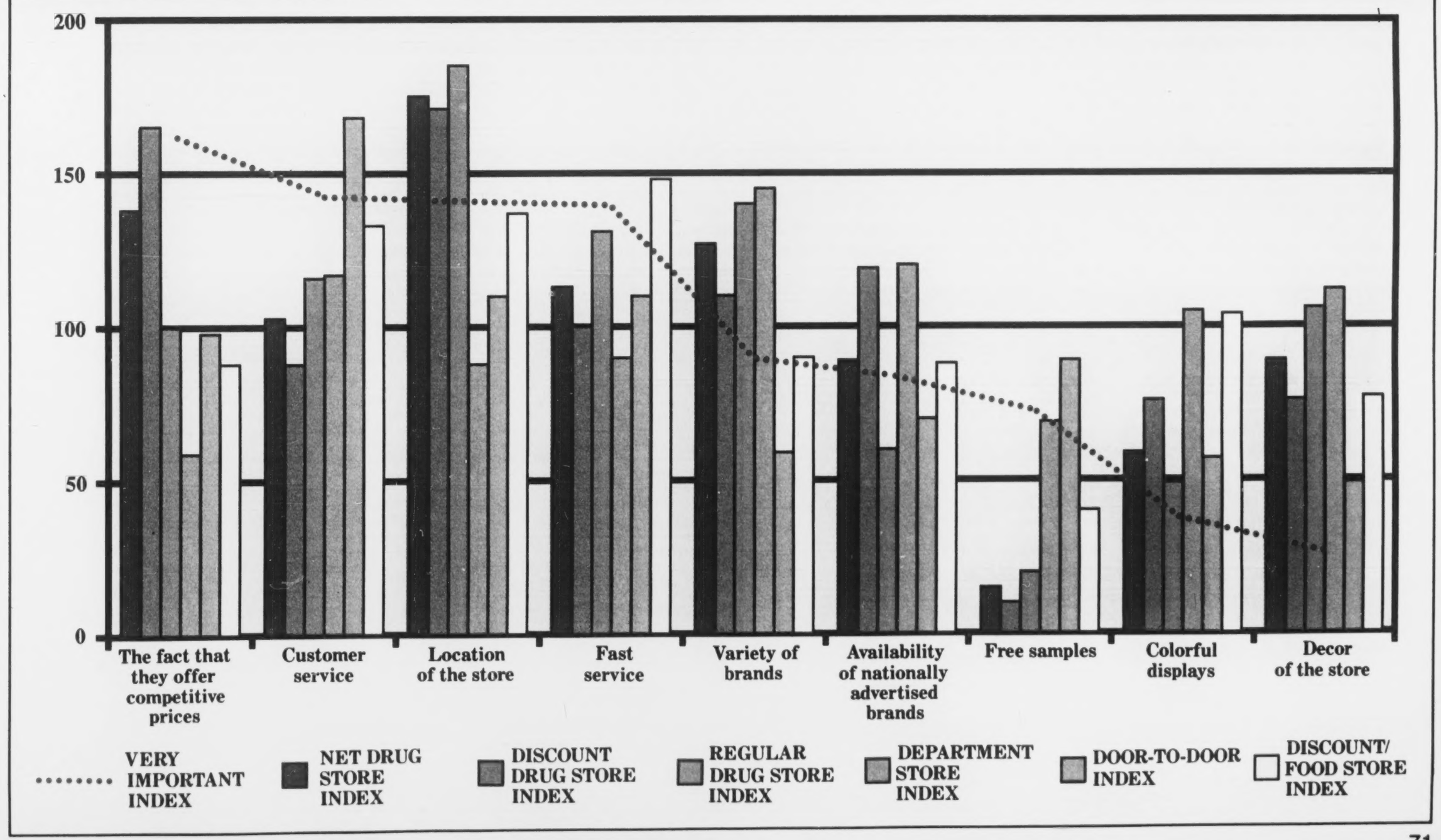
Attributes	Importance* index
Competitive prices	165
Customer service	142
Store location	140
Fast service	140
Variety of brands	90
Availability of nationally advertised brands	85
Free samples	75
Colorful displays	35
Store decor	30

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

Index of importance and place of purchase ratings



How drug stores fare in satisfying consumer needs

Continued from page 71

ers, that it achieved a 142 average index. To customers, the drug store industry simply does an average job of providing service, and customers think deep discount drug stores are below average in this important respect.

Customers rated traditional drug stores like Walgreens, Eckerd and Osco somewhat higher on service (index of 115 compared to 86 for discount drug stores), but even though the index rating was above average, it wasn't high enough to meet and surpass customer expectations. Based on the response from the women in the survey, customer service attained a 142 value index. With a 101 performance index, drug stores are below the mark when it comes to fully satisfying consumer needs on this important dimension.

Door-to-door competitors, on the other hand, are way above average in delivering service. Their index rating was even higher than customers expectations: 162 as an index of performance vs. 142 as a customer-valued priority.

Even department stores couldn't come close in beating door-to-door operators on service. That helps explain why the Avon and Mary Kay brands were mentioned so frequently when customers were asked to name the brands they used "most often."

Competitive prices

Retailers know that price is important to shoppers, but the Gallup value index shows just how very important this measure is. Competitive prices had the highest value rating in the survey: an index rating of 165. During these trying economic times, it seems that consumers are very serious about prices. They want value.

In recent years, drug chains have clearly felt the painful impact of low price competitors invading their markets. The Gallup value/performance index clearly illustrates why deep discounters like Drug Emporium, F&M and Phar-Mor have become such a threat. They were the one trade class that consumers rated very high on the measurement they said mattered most to them. Competitive prices had a value index of 165. Deep discount drug chains had an in-

Continued on page 79

How drug stores performed in total

Attributes	Importance index*	Performance index net drug
Store location	140	173
Competitive price	165	137
Variety of brands	90	122
Fast service	140	112
Customer service	142	101
Availability of nationally advertised brands	85	90
Store decor	30	90
Colorful displays	35	61
Free samples	75	11

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How deep discount drug stores performed in total

Attributes	Importance index*	Performance index Discount drug
Competitive prices	165	169
Store location	140	166
Availability of nationally advertised brands	85	115
Variety of brands	90	105
Fast service	140	99
Customer service	142	86
Colorful displays	35	77
Store decor	30	77
Free samples	75	6

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How regular drug stores performed in total

Attributes	Importance index*	Performance index Regular drug
Store location	140	185
Variety of brands	90	140
Fast service	140	128
Customer service	142	115
Store decor	30	107
Competitive prices	165	99
Availability of nationally advertised brands	85	62
Colorful displays	35	49
Free samples	75	16

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How department stores performed in total

Attributes	Importance index*	Performance index Department stores
Variety of brands	90	144
Customer service	142	116
Availability of nationally advertised brands	85	116
Store decor	30	114
Colorful displays	35	104
Fast service	140	93
Store location	140	86
Free samples	75	68
Competitive prices	165	58

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

Satisfying consumer needs: how drug stores fare

Continued from page 72

dex of 169. They were above average where it mattered most.

Unfortunately, because the base of discount stores in this sample wasn't large enough to be measured separately, Gallup had to combine discount stores with food stores to include them in this profile. Looked at in conjunction with food stores, the two trade classes had a base index of 86 on prices.

We believe that, measured separately, discount stores would have generated a much higher performance index. Our speculation is that discount stores, especially Wal-Mart and Target, would have scored as high, possibly higher on competitive prices, than deep discount drug stores. Food stores, however, take longer margins on toiletries such as moisturizers, so their inclusion in the same universe as discount stores more than likely skewered the index downward.

Department stores are very vulnerable when it comes to pricing. In an area that mattered so much to consumers, they had an index of 58, almost 50 percent below average and not even close to being considered competitive.

Drug stores also don't give consumers the fast in-and-out service that is so important to them. Fast service has a value index of 140. Discount drug stores had a performance index of 99, while regular drug stores had a performance index of 128. Obviously, regular drug stores are seen as superior to discount drug stores in this area, but their performance still doesn't measure up to consumer expectations. The combined universe of discount stores and food stores does the best job in providing service. Their overall index rating was 147.

Variety of brands

When it comes to setting themselves apart from the herd and developing a significant "point of difference," many chain drug operators think it's essential that their stores carry a full assortment of all types of brands. This tends to tie up money in inventory dollars and it also slows turns since drug chains are giving space to slow movers so they can create a very full merchandising presentation.

The Gallup findings suggest that this costly strategy may not be necessary after all. Facial moisturizer users, at least, don't report that having a variety of brands on display in the store is very important to them.

So even though drug stores, as well as department stores, are rated above average in this regard, they may be better off dropping slow moving brands, cutting back on inventories and putting the money they save into giving customers more service and faster check-outs.

Nationally advertised brands

Having nationally advertised brands is also not as important as having competitive prices, good locations, fast service, etc., but traditional drug stores are rated lower than any other trade class in providing this service.

In this case, drug chains may want to review their private label or store brand programs which have gotten very extensive in recent years.

The Gallup findings suggest that perhaps drug chains are giving consumers too much of a selection of store brands and not quite as many national brands as they would like to see in the stores.

Drug stores were really rated low on the frequency with which they gave away free samples, but this was not an area that customers said was particularly important to them.

Many drug store shoppers already know which brand of moisturizer they intend to buy, so the importance of this attribute in this category can be expected to be minimal. However, there are other categories like fragrances and cosmetics where free samples might be a more important strategy to stress and drug stores do not seem to be developing any expertise in this area. If drug stores were to improve their service levels, it would be easier for them to do a better job offering consumers more free samples.

Colorful displays

Colorful displays and store decor are two of the least important variables to consumers. Drug stores try, but they are not really seen as very creative in building displays.

Partly because they have much larger stores and much more space to work with, discount stores, food stores, department stores and the deep discount stores, are given the highest ratings when it comes to building displays.

However, given the constraints that conventional drug stores have with space and the fact that consumers don't prioritize this area as very important to them, drug stores probably do as good a job with displays as they need to. No more, no less. Any change here would probably not be very meaningful to customers.

Along with the presence of colorful displays, consumers also rank store decor as rather low in importance to them. The Value Index for store decor was a mere 30.

As you'd expect, consumers rated conventional drug stores higher than discount drug stores on decor. They also rated department stores as the best in this area.

But apparently, as long as a store is clean and well organized, and it gives consumers what they value most, low prices, fast service, customer service and a good location, the decor package is little more than icing on the cake.

How door-to door companies performed in total

Attributes	Importance index*	Performance index Door-to-door companies
Location	140	106
Customer service	142	163
Fast service	140	106
Competitive prices	165	98
Free samples	75	89
Availability of nationally advertised brands	85	70
Colorful displays	35	60
Variety of brands	90	60

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How discount/food stores performed in total

Attributes	Importance index*	Performance index Discount/food stores
Fast service	140	147
Customer service	142	128
Store location	140	135
Colorful displays	35	103
Variety of brands	90	93
Availability of nationally advertised brands	85	86
Competitive prices	165	86
Store decor	30	80
Free samples	75	42

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

How well drug stores give skin care consumers what they value most

Attributes	*Importance index	Performance index Net drug	Discount drug	Regular drug	Department stores	Door to-door	Discount/ food stores
Competitive prices	165	137	169	99	58	98	86
Customer service	142	101	86	115	116	163	128
Store location	140	173	166	185	86	106	135
Fast service	140	112	99	128	93	106	147
Variety of brands	90	122	105	140	144	60	93
Availability of nationally advertised brands	85	90	115	62	116	70	86
Free samples	75	11	6	16	68	89	42
Colorful displays	35	61	77	49	104	60	103
Store decor	30	90	77	107	114	49	80

*Very important to consumers

Base: Women who had used a moisturizer in the past four weeks

Source: *Drug Store News*/Gallup Organization 1992 Consumer Survey.

Sales for drug chains boosted by designer scents, makeup, lip and nail care

Cosmetic and fragrance sales are rising at a slight to moderate pace in chain drug stores across the U.S. so far in 1992. Growth is being led by designer fragrances, lipsticks, face makeups and the comparatively small but surging professional nail segment.

"Our cosmetic sales are slightly up, led by lip and face," says buyer Stephanie Hayter of Genovese, Long Island, N.Y.

"It's been a challenging first half, but we're up now," says Shari Ralston who buys cosmetics for PayLess Drug in Wilsonville, Ore. "I'm seeing fewer new product introductions but more support invested in those that are launched. Companies are also focusing more on their key brands than they have in the past."

"We're seeing some increases in cosmetics," says Donna McManus at New Orleans-based K&B, "but I can't be sure if that's due to activity in the categories or to some recent changes we made in our merchandising presentations. It's too early to tell how our changes have impacted sales."

"Last year was a pretty soft year," says Steve Lubin, Walgreens' divisional merchandise manager of cosmetics, "so I'd hope 1992 ends up a better year. I think we're going to have a good Christmas for color and fragrance—particularly for fragrance—but as for the year, there aren't enough new products coming out to stimulate the market. Everyone's trying to find ways to distinguish themselves from the group, to make themselves stand out, but without new products to drive the business, there's only so much you can do."

Carol Allman, director of cosmetics and HBA for Eckerd Drug, reports that sales are up so far this year. "We'd like to see them better, but overall we're doing well."

Revco's cosmetic buyer Judy Wray reports that her cosmetic department sales are "slightly off, partly because of internal changes in reporting as well as in overall business."

> *'I'm seeing fewer new product introductions but more support invested in [existing ones].'*
>
> **—Shari Ralston**

In sharp contrast, however, she says fragrance sales are up "significantly." She says Revco in the past year has really "attacked" the fragrance category and is building the department through a series of ongoing, aggressive promotions.

Since Revco has traditionally attracted what she calls a "very value conscious consumer," when prices on a line or an item go up, the chain usually sees a reaction almost immediately.

She is currently seeing some softening in her Cover Girl sales—a reaction she thinks is because of Revco's implementation of some Cover Girl price increases in the past few months.

Wray says the increases were necessary because P&G is no longer promoting Cover Girl as often as before or with discounts as large as before. "Our sales are off, and we are also a little off with Revlon and flat with Maybelline," she says.

For the first half of 1992, chain drug stores are reporting the strongest cosmetic department growth is coming from designer fragrances, lipsticks, face makeups and the small, but rapidly growing category of professional/salon style nails.

Most buyers want to be optimistic about how 1992 will end, particularly when compared with a soft 1991.

"I'm hoping that all the supplier consolidation is behind us," says Walgreens' Lubin. "When people get caught up in that, they get distracted and the basic business suffers. I hope from now on, we can just concentrate on building the business."

Snyder Drug's cosmetic buyer Susan Lund believes

Continued on page 86

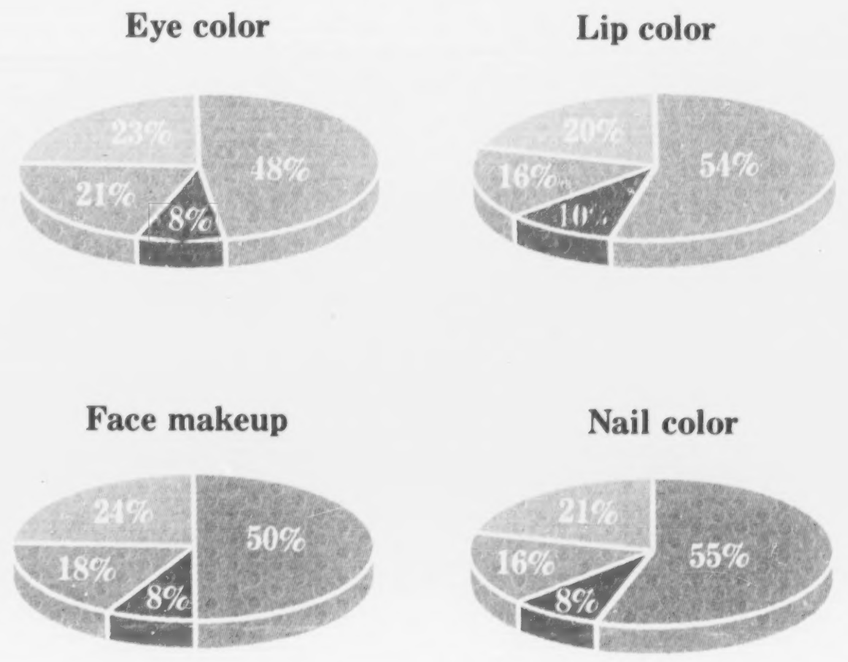
1991 Color cosmetic sales by category segments

Category	1990	1991	Percentage change
Eye color	$ 496	$ 478	(3.6%)
Lip color	450	482	7.0
Face makeup	665	687	3.3
Nail color	271	264	(2.7)
Total	$1,882	$1,911	1.5

Source: Nielsen Marketing Research.

Chain drug store share of 1991 color cosmetic sales

(Percent of share)



Source: Nielsen Marketing Research.

Chain sales boosted by designer scents, makeup

Continued from page 85

1992 is going to be better than last year. "The economy's slowly improving and people are getting more confident."

Eckerd's Allman cautions, "The cosmetic companies will have to maintain their level of spending to keep the education and reinforcement out in front of the consumer."

And, like Lund, she agrees that the recession will also determine how much consumers will spend and how often they will buy. "Nothing in the economy has been fixed yet as far as I can see, so we'll have to wait and see what consumers will be doing three months from now. Will they still be worried? If so, you're going to continue to see belt tightening."

But Allman also says that the impact of a continued recession could also be good for drug chains. "In a recession, drug stores are more inviting to consumers. It gives us a chance to capture reluctant dollars."

Right now, she says Eckerd has been able to build cosmetic sales because of several factors: the relationships that her predecessor, Karen Durham, built with suppliers, enabling the chain to customize a lot of programs for stores (Durham still buys fragrances and other core toiletries for Eckerd.); and convenient store locations that Eckerd will continue to court with promotional programs.

Allman says,' "We see as much competitive pressure as ever. We're in markets as competitive as any that exist. You just have to say, OK, here's the program I want to build. Let's build it the best way we can. Implement it. Get feedback on it. Review it and then go on from there to make it better."

Chain drug store share of 1991 fragrance sales

Category	Chain drug	All drug	Food	Mass merchandisers
Women's fragrances	72%	88%	na	12%
Men's fragrances	49	58	18%	24

Source: Nielsen Marketing Research.

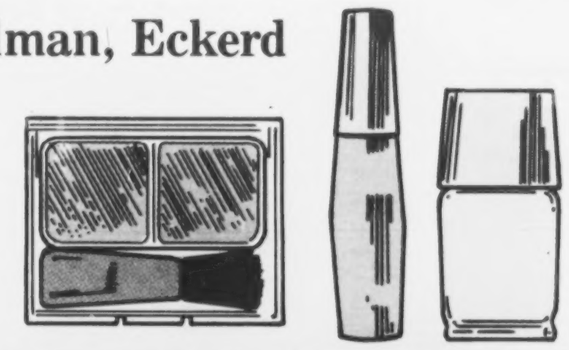
1991 Fragrance sales by category segments

Category	1990	1991	Percentage change
Women's fragrances	$ 812	$ 813	0.2
Men's fragrances	662	647	(2.2)
Total fragrances	1,474	1,460	(0.9)

Source: Nielsen Marketing Research.

'In a recession, drug stores are more inviting to consumers. It gives us a chance to capture reluctant dollars.'

Allman, Eckerd



The impact of a continued recession could be good for drug chains. In a recession, drug stores are more inviting to consumers. It gives us a chance to capture reluctant dollars.

Cosmetic buyers see if this year's launches make their category grow or just move market share from one company to another company.

New lip care launches lead to smooth sales for chains

Genovese cosmetic buyer Stephanie Hayter reports that her strength in lipstick sales is broad, in virtually every brand.

Coty's new Refinements Refillable lipsticks are popular, and Genovese is in the process now of working them into the planogram. "The $2.95 price point for the refills makes them very attractive to a lot of customers," she says. "They can either buy the case at $6.50 and keep refilling it or they can just buy the refillables and use them as they are."

Cover Girl's Mosaic promotion also did well, with Hayter describing it as, "one of the best of all times. We sold out in a week or two."

K&B buyer Donna McManus also reports impressive lipstick sales, noting the popularity of Cover Girl's Remarkable Lipsticks and in ethnic, Maybelline's Shades of You.

"Lip is hot," says Snyder's cosmetic buyer Susan Lund. " Remarkable and [Revlon's] Outrageous are both doing working."

However, he is still waiting to see if any of these new launches will grow the category by bringing in new users or whether they will just "move market share from one company to another."

At Eckerd Drug, cosmetic director Carol Allman says that based on "the success of all the new launches in lip, I'd say that category is doing well. All the new launches have been successful. What we don't know yet is whether there's been any cannibalization. We're still trying to measure that."

Outrageous retails for about $3 more than Remarkable, so it would seem to have a more limited market. But a number of chains reported doing well with Outrageous without seeing any declines in the Cover Girl lipstick sales.

Colour Supreme lipsticks, on the other hand, have been good but for some buyers not as big a success as was expected. One buyer says, "It may because the matte look hasn't taken off as we expected. The matte is a very sophisticated look and it is not for everybody. Mattes are also more drying on the lips, and these days people seem to want a creamy lipstick."

1991 lipstick sales by trade class			
Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$245	$261	6.7%
All drug	295	309	4.7
All food stores	78	79	1.4
Mass merchandisers	78	94	21.1
Total sales	450	482	7.0

Source: Nielsen Marketing Research.

Genovese's Hayter says creamy and long-wearing lipsticks are key benefits that women want.

very well. L'Oréal's Colour Supreme is also very good, but not quite as strong as the other two."

"There have been some nice successes in lip this year," says Walgreens' Steve Lubin. "Coty's Refinements launch is good and the movement on Outrageous is increasing. At a $7.50 price point, if you can sell a large quantity of an item like Outrageous, it can be very profitable. But it's still too new to say for certain that's

One buyer said that the matte look hasn't taken off as expected. "The matte is a very sophisticated look; it isn't for everybody. Mattes are more drying; these days people seem to want a creamy lipstick."

At Genovese, Hayter says that creamy and long-wearing lipsticks like Remarkable and Outrageous offer benefits that women seem to want these days.

Promotions have also helped the lipstick category. Several buyers say that L'Oréal lipsticks were top selling items in the line year-to-date. They add consumers were reacting positively to the $2 off promotions run by L'Oréal this year for lipsticks and mascaras.

Budget cosmetics

In chains such as K&B and Revco, where consumers are still struggling to recover from the recession, budget cosmetic sales are booming. K&B's McManus says her budget line, Wet & Wild, is doing well.

At Twinsburg, Ohio-based Revco, buyer Judy Wray also reports Wet & Wild sales are up significantly. She says her customers are absolutely shopping Revco for value, and Wet & Wild is fast becoming one of the strongest lines.

Lipstick sales growth trends by trade class		
Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	6.7%	8.8%
All drug	4.7	7.0
Food*	1.4	9.2
All food	1.4	9.0
Mass	21.1	10.2
Total	7.0	7.9

*Stores doing over $2 million.

Source: Nielsen Marketing Research.

New products ahead for stronger nail sales

So far this year, nail color sales have been soft, although treatment sales are still strong for most chains. However, there are some new products and relaunches coming up now and in the second half that could make the year a much brighter one for this category.

Revlon is relaunching its nail color this June and buyers are optimistic about that. Almay will be relaunching its lip and nail in September and that too looks promising. "The Revlon and Almay relaunches just by themselves should give the category a boost," says Snyder's Susan Lund.

"I hope it helps because the category is soft right now for us," says Shari Ralston, the cosmetics buyer at Oregon-based PayLess Drug Stores. "We need a jump start."

A new segment is also emerging in nail color: instant drying nail color. At Genovese, Stephanie Hayter thinks CCA's new 60-Second drying line should be a "very interesting launch that could be hot this summer. "It's a little higher price point, but it will have TV and I think everybody will be trying it." She has created an endcap panel to get it into her stores early.

Cutex Color Quick is already in distribution, but there hasn't been much advertising on it yet. At Genovese, the trial sizes were hot, but the basic stock is just getting into the planogram.

So far, Hayter doesn't think the launch is as strong as it was a few years ago when Cutex launched Strong Nails, but she also says it's still early and too soon to know for sure.

Ralston says Color Quick has just recently gotten into her stores, but it seems to be moving OK.

CCA's 60-Second was just shipping in at press time, but she said that, based on past performance, "it should blow out as soon as the TV breaks."

Revlon has always been strong in the nail color category and now that it is repackaging the nail enamel, buyers think there will be an even greater surge in their sales.

Clarion has also repackaged nail and numbered its treatments to make it easier for customers to make a selection, and buyers say that should help sales.

"We've had nice increases in nail color this year," says K&B's Donna McManus.

At Eckerd, Revlon's nail color sales are doing well, and Carol Allman, who manages the category, says she's seeing good increases in the entire line. Maybelline has also turned in a strong performance at Eckerd, as have L'Oréal and Cover Girl.

Professional nails

This year, buyers say they are noticing a new phenomenon: professional nails—nails with a salon image like Orly, IBD, Delore and Jonel, which have always been a strong business in the chains that stock them—are going through the roof.

The buyer for one of the industry's seven largest drug chains said that professional nails are one of the few "really hot areas right now."

Genovese's Hayter says her sales of professional nails are growing by "leaps and bounds."

She can hardly keep the IBD's Five-Second Nail Glue in stock. "This is simply one item we can't be out of stock on, the demand is so great. Professional nail, for us, is becoming another designer fragrance business."

At Revco, professional nail brands, specialty brands, nail treatments and nail accessories are all doing very well so far this year.

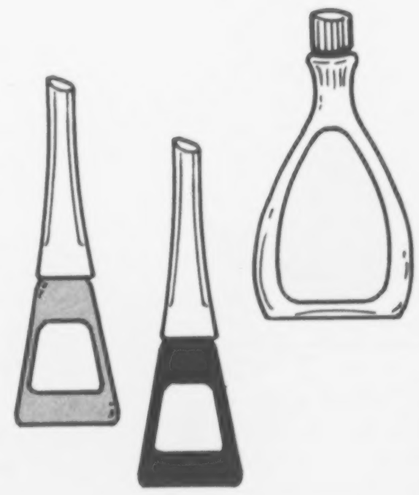
Buyer Judy Wray says nails and nail accessories are, "a neat niche category. They sell well and deliver good profits." Among the lines: CCA, Cosmar, West Cabot, Jonel, AAI and Delore.

This year, she says Revco will be redefining its mix for professional nails and expanding its distribution. The chain will also merchandise more items in bulk on the shelf rather than on the peg wall, and it will be putting "benefit signs on the shelf so we can explain to customers how to use an item or what it does."

The goal is to build the category through in-store promotions. "IBD, their glue and other items really move," says Snyder's Lund. "We're not going to expand it because we don't have the space, but what we're carrying now does real well."

PayLess' Ralston also reports sharp sales of professional nails since first testing the waters with Orly, and it is building steadily with Delore and the Super Nail line from American International.

This year, buyers say they are noticing a new phenomenon: nails with a salon image are going through the roof.



1991 nail color sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$149	$144	(3.0%)
All drug	175	166	(4.7)
All food stores	48	43	(10.0)
Mass merchandisers	49	55	11.9
Total sales	271	264	(2.7)

Source: Nielsen Marketing Research.

Nail color growth sales trends by trade class

Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	(3.0%)	1.8%
All drug	(4.7)	0.4
Food*	(9.9)	0.4
All food	(10.0)	0.0
Mass	11.9	0.4
Total	(2.7)	0.3

*Stores doing over $2 million.
Source: Nielsen Marketing Research.

Eye care sales awaken but price wars squeeze $$

This year, unit sales of mascaras have gone up dramatically, but price wars have caused dollar sales, for many chains, to go down.

Many buyers report selling plenty of Revlon mascara at $2.99, "but, at the same time, that's hurting not helping dollar sales. We're really trading customers down," said one source.

Buyers also call the L'Oréal $2-off promotions on mascaras a "trade-off. Again we're selling more units and making less dollars," said one source.

Later this year, L'Oréal and Cover Girl will introduce some single pan shadows, and most buyers say that both these introductions should do well.

P&G is positioning its new Cover Girl Natural Eyes "breeze on" shadow that comes packaged with a specially designed ponyhair InstantBlend brush to bring new users into the category.

Marketing is hoping it will appeal to women who currently don't use shadows simply because they haven't got the time to fiddle with the brush and the application.

One buyer said the approach is just what is needed in cosmetics: an idea to create incremental sales rather than cannibalize sales.

PayLess cosmetic buyer Shari Ralston reports that other recent launches in shadows do seem to be revitalizing this sluggish category. She noted Revlon's Overtime Shadow and single pan shadows are doing well, as are Max Factor and Cover Girl shadows.

All of a sudden, eye lashes have become hot. Buyers say every line they have is doing well, but the most frequently mentioned best sellers are the lashes from Ardell and Andrea.

"Eyelashes are big. Eyebrow products are big," reports Ralston. "The Ardell eye products are just blowing through the roof."

At K&B, Donna McManus reports being surprised at the growth in her eye lash sales. "I've been reading that eye lashes are coming back and it's apparently true," she said.

At Revco, Judy Wray says her sales with Ardell have been very strong.

At Genovese, Stephanie Hayter reports noticing "a very heavy consumer demand for lashes, so heavy that I created an end panel for lashes to give to stores that didn't have the space to put them in the planogram."

There is a new line called Press & Go coming out that is a disposable lash line that buyers think will do well. They go on with a glue. Women wear them a few times and then discard them.

Another apparent winner is L'Oréal's Volumizer Mascara, buyers report.

"Maybelline's been spending a lot and we're seeing some real pleasant growth to go along with that," says Eckerd's Carol Allman. "Their mascaras are doing much better, and they're in the process of playing catch up with L'Oréal's Lash Out."

What is needed in cosmetics is an idea to create incremental sales rather than cannibalize sales.

1991 eye color sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$240	$232	(3.6%)
All drug	280	267	(4.6)
All food stores	112	101	(9.6)
Mass merchandisers	104	110	5.6
Total sales	496	478	(3.6)

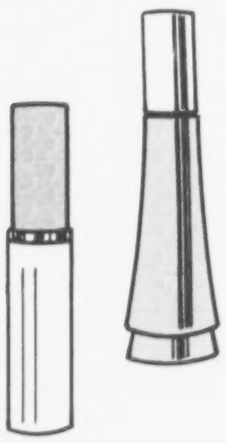
Source: Nielsen Marketing Research.

Eye makeup sales growth trends by trade class

Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	(3.6%)	3.5%
All drug	(4.6)	1.8
Food*	(9.7)	3.3
All food	(9.6)	3.1
Mass	5.6	2.0
Total	(3.6)	2.1

*Stores doing over $2 million.

Source: Nielsen Marketing Research.



Kids' toiletries are awash in licensing

Tinkerbell continues to be a perennial best seller in chains where it is carried year round.

This year, Tsumura is introducing a new licensed teen cosmetic/fragrance line, 90210. Given the success of the Fox television program, "Beverly Hills 90210," this could be a hot if trendy launch. Genovese's Stephanie Hayter thinks sales will be great, but of course, she adds, "I don't know how long it will last."

The Jordache eye makeup kits also do well with teens in Genovese stores.

At PayLess Drug, sales of kids toiletries and cosmetics are "very strong," says Shari Ralston.

Tinkerbell does well in PayLess stores, as do the Tsumura Ducair licensed toiletry lines like Muppets, Barbi and Beauty & the Beast.

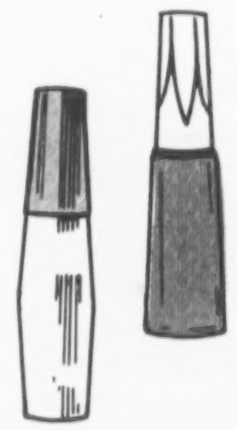
Also popular right now are Color Kisses and children's bath.

Ralston thinks the new Batman from Tsumura will "be very hot," adding that anything today in the shape of a troll is strong.

Teen fragrances just do OK at PayLess, since they appeal mostly to younger teens. Older teens, says Ralston, are already moving up to the adult fragrances.

Coty's Tribe did OK at PayLess, but the small 0.5 oz. size did best. She thinks the Tribe customer in PayLess simply couldn't afford the larger size.

She has bought Tsumura's new 90210, and although she certainly doesn't see it as a long term fragrance, she thinks it will do okay.



"Customers are trading up to the higher-price specialty items" in bath care, says PayLess' Shari Ralston.

Bath care bubbles with fresh ideas, growing sales

Bath care is still one of the strongest growth categories in chain drug stores. At PayLess, buyer Shari Ralston reports "big increases" in the category. She says her warehouse pulls are up 39 percent so far this year.

"Customers are trading up," she reports. "Calgon and Vaseline Intensive Care are still doing well, but people are trading up to the higher price specialty items. Baskets are strong and so are loofas."

Ralston also notices that vendors in this category, anxious to take advantage of the growth opportunities, are "very flexible. They're willing to do unique things so you can be different."

In PayLess stores, Sarah Michaels, which the chain merchandised on the marbleized endcap that La Loren supplies for the brand, is doing very well.

But Ralston also feels that her customers need more of a choice of lines, so she's thinking of adding other specialty bath lines. She's looking at Brandt, which she describes as a nice line of gift soaps; at Savonette, a specialty department store bath line and at the aromatherapy bath line from Sinclair and Valentine. She also likes Del Labs Naturistics, which she believes appeals to a different customer—not the gift giver, but the young self user interested in nature and natural products.

Naturistics is doing very well in many chain drug stores. At Genovese, Stephanie Hayter is expanding the line's distribution from the original 36 SKUs launched by Del last year to all SKUs by the end of the year.

She's also looking at another new bath line, San Francisco Soap Company, and is close to a test. She says their glycerin soaps look nice and they also offer "a significant cost advantage."

Because of the cost difference and the attractive presentation, Hayter is fairly sure she will test them soon in some stops.

This year, everybody and their brother has a new line of bath baskets coming out. Hayter says she likes Savonette, which she's seen in distribution at Lord & Taylor department stores. She says it's a nice quality and nice presentation and she may do some tests with it.

The seasonal assortments from Paris Presents has also done well in Genovese stores. She says Paris Presents always has "a nice color story," and this year they have a Riveria pre-pack that can be used as an endcap wing. "It's something new and different," she says, "and our customers always look for that."

NAILENE ENDS CONSUMER CONFUSION!

THE ARTIFICIAL NAIL SECTION USED TO BE A CONFUSING PLACE. LENGTHS, SHAPES, SIZES AND STYLES ALL BLURRED TOGETHER, PLACING CONSUMERS IN THE DARK AT THE POINT OF SALE.

UNTIL NOW.

WE'RE CHANGING ALL THAT WITH GREAT NEW PACKAGING THAT SHINES THE LIGHT ON SIMPLICITY AND GUIDES THE CONSUMER INTO MAKING THE RIGHT CHOICE QUICKLY AND EASILY.

RESULTS? EASIER PLANOGRAMMING, FASTER TURNS AND INCREASED IMPULSE SALES AS CONSUMERS REACH FOR THE BRAND THAT MAKES IT SIMPLE TO CHOOSE THE PERFECT ARTIFICIAL NAILS FOR THEM.

PLEASE JOIN JOE FRACASSI AND JENNIFER WILBURN TO SEE FOR YOURSELF HOW WE'RE ENDING CONSUMER CONFUSION AND SETTING NEW INDUSTRY STANDARDS.

SOON TO BE RELEASED.

NAILENE®
Best Nails Next to Your Own

Welcome **NACDS** to New Orleans and Marketplace! See you at **Booth 218**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

SPECIAL REPORT
organizers

Organizers staying hot despite space limitations

Many buyers are still finding it hard to get enough space to do justice to the cosmetic organizer category, but they say sales on this category are continuing to do well. Cosmepak has a unique item called Jam Packers that was just reaching stores at press time.

A number of buyers reported that the little organizer, the first soft portable organizer on the market, is "different and should do well."

Genovese's Stephanie Hayter points out that Cosmepak's first generation of organizers, the Trés Chic line, did very well.

Snyder's Susan Lund says that all her cosmetic accessory categories from organizers through brushes, applicators and sprays, are selling well. "This whole segment is a real good category and I think it's going to stay hot for a while," she said.

Lund says both Caboodles and Sassaby's organizers are selling well in her stores, she says early sales on Cosmepak's new Trés Chic and Jam Packers are "doing just fine."

On the west coast where fads frequently find their first launching pad, Shari Ralston at PayLess reports that promotional "temporary tattoos" are taking off in her stores.

She describes them as the perfect in-and-out item, and says they sell great during back-to-school because they're so popular with kids and teens.

There are a lot of different companies making temporary tattoos, but they are usually found merchandised in the cosmetics department in a pre-pack or a spinner.

PayLess has a spinner that holds 492 pieces. Among stock: skull and cross bones, lips, hearts and trolls, which are particularly popular right now. The tattoos targeted at kids are usually $1.45 to $1.90 a package, while those geared to teens or adults are usually between $3.99 and $4.99.

COSMETICS & FRAGRANCES
product updates

Skin Care

The Jean Naté Body Indulgence Collection is bath and body treatment products incorporating natural fruit extracts and the scent of Jean Naté.

Included in the collection are: Exhilarating Shower Gel (SRP $9.50—12-ounce bottle); Energizing Bubble Bath (SRP $8—8-ounce bottle).

Also: Sheersilk Bath and Body Oil (SRP $9—8-ounce bottle); Sleek Body Scrub (SRP $8—6½-ounce jar); and Restorative Body Lotion (SRP $7—8-ounce bottle).

Jean Naté, 625 Madison Av., New York, N.Y. 10022. (212) 527-4000.

* * *

Plénitude has introduced two moisture protective products: Oil-Control Toner and Tender Eye Makeup Remover.

The toner is for normal to oily skin types.

It has an alcohol-free, pH balanced formula that is enriched with pro-vitamin for natural moisture balance.

The toner removes all remaining traces of makeup and cleanser and the botanicals gently absorb the excess oil in one's face.

It is packaged in an 8.5-ounce bottle.

The makeup remover is for all skin types.

It gently dissolves all traces of eye makeup, has natural conditioning agents and the lipoprotein restores moisture and protect the delicate eye area.

The makeup remover also softens lashes and is ophthalmologist tested and fragrance free, which is perfect for sensitive skin.

It is packaged in a 4.2-ounce pump dispenser.

L'Oréal, 575 Fifth Av., New York, N.Y. 10017. (212) 818-1500.

VICE PRESIDENT DIRECTOR OF STORE OPERATIONS

Mid-Atlantic multi-store hardgoods/HBA chain seeks **VP Director of Store Operations.** Salary depends on experience and track record. Excellent Company benefits. Successful candidate will be dynamic, bright, degreed. Send resume and salary requirements to:

Drug Store News
Christine LaTorre
425 Park Ave
New York, NY 10022

VICE PRESIDENT PHARMACY SERVICES

Eastern chain seeks VP Pharmacy Services. If you have recent hands-on experience with Store Operations, successful 3rd Party negotiations and management, a track record in increasingly responsible positions, please write in confidence with salary history to:

DRUG STORE NEWS
Christine LaTorre
425 Park Ave
New York, NY 10022

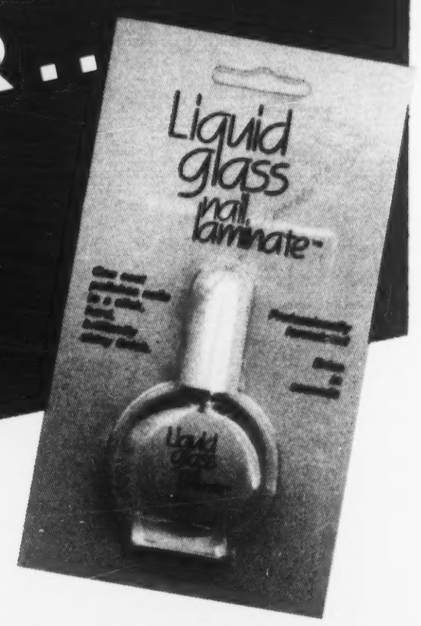
VICE PRESIDENT OF DISTRIBUTION

Eastern drug chain seeks hands-on director with strong people, analytical, communication skills. A successful track record in drug store industry a must. Send resume and salary history to:

DRUG STORE NEWS
Christine LaTorre
425 Park Ave
New York, NY 10022

Visit us at Booth **218** & ask about our new
ClipStrips & Show "Special"
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

TOP TEN BRINGS THE NAIL SALON TO YOUR CUSTOMER . . AND NEW PROFITS TO YOU



• TOP TEN'S 5 nail care products are best-sellers in the Professional set at major chain drug stores.

• The salon heritage and formulation means they work and the drug store price means they sell!!

No more ridges nail laminate
POOF! My nails are dry- nail laminate
Bio-Nail nail laminate
Liquid glass nail laminate
Never break nail laminate

For more information on Top Ten and its flexible merchandising programs, contact:

Top Ten Cosmetics, Inc.

Contact Barbara Bolella
P.O. Box 47
Wantagh, New York 11793
1-800-538-9008 • (516) 781-6901
FAX (516) 781-6925

Ethnic and trade-up lines add richness to face makeups

Along with lipsticks, face makeups comprise one of the fastest growing categories in chain drug cosmetic departments.

One large regional chain reported that its make-up sales year-to-date are up 26 percent.

At PayLess, buyer Shari Ralston attributes much of the growth to Cover Girl, Revlon and L'Oréal, as well as to the new packages and advertising for Maybelline.

Face makeup sales have been juiced by the success of the many new ethnic cosmetic lines that have come onto the market.

Face makeup sales have also been juiced by the success of the many new ethnic cosmetic lines that have come onto the market. Buyers for many chains say the face makeups for almost all the ethnic lines—Shades of You, Posner, Zuri, Black Radiance, Tropez, Simply Satin—are all doing well.

Among the new items in face care, L'Oréal's Hydra Perfect is garnering strong reports from buyers.

Genovese's Stephanie Hayter says it may be because the category "needed a line with sun protection factors and a little more coverage."

Also strong in Genovese stores is the Cover Girl Clarifying Make-up. "People are trading up," she says. "They are putting on face makeups that will protect as well as enhance their look."

However, as buyers struggle with limited department space, there is uncertainty on how to work in the ethnic cosmetic launches that are still pending. For a chain like Genovese, Almay is not a problem because it is shipped directly to stores so Hayter is putting the darker shades in doors in ethnic neighborhoods.

Revlon, however, is warehoused and she doesn't know yet where or if she can get the room for another three feet for the ethnic collection. The same is true for Cover Girl, a line that she knows is coming but hasn't seen yet.

K&B's Donna McManus reports that ethnic face makeups from Shades of You, Posner and Zuri are also selling quickly in her stores, with the exception of soufflé makeup formulas from Shades of You.

At Snyder, Susan Lund says Hydra Perfecte is a rapid seller. "We're seeing strong sales in what I think of as the older person's makeup—L'Oréal, Max Factor, Revlon. But, of course, Cover Girl face is very strong as well."

Skin care

One of the nice surprises in skin care this year is the rebound of Revlon skin care sales. Buyers such as Hayter are reporting that since the price roll back that Revlon took in January, sales have been picking up and "reorders are coming in again."

Almay's new Problem Solution and Teen line are popular at Genovese, and their color cosmetic sales are picking up.

Along with lipsticks, face makeup is one of the fastest growing categories in chain drug store cosmetic departments. One large regional chain reported that its make-up sales year to date are up 26%.

Hayter is planning to test Physician's Formula skin care in some stores this year. "It's a specialty line so we have to get the cosmeticians involved and trained to sell it. They don't have much money for advertising, so we'll be doing a lot in the stores themselves to call attention to the line: special displays, couponing and sampling." She will probably test the skin care first and if that does well, expand into the color cosmetics from Physician's.

"Skin care's doing real well. Plénitude's helped change that dramatically," says Snyder's Lund. "Bonne Bell's Ten-0-Six also does very well in our stores, and Revlon's skin sales are picking up. The price rollbacks helped."

Face makeup sales growth trends by trade class

Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	4.5%	8.3%
All drug	2.0	6.4
Food*	(3.9)	7.3
All food	(3.9)	7.0
Mass	13.4	8.1
Total	3.3	6.9

*Stores doing over $2 million.
Source: Nielsen Marketing Research.

1991 face makeup sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$330	$344	4.5%
All drug	391	399	2.0
All food stores	130	125	(3.9)
Mass merchandisers	144	163	13.4
Total sales	665	687	3.3

Source: Nielsen Marketing Research.

Designer scents lead category with double-digit gains

In fragrances, most drug chains say their sales, so far this year, are basically flat, except for designer fragrances which keep showing dramatic double digit increases at many chains.

"In fragrances, we haven't had much growth," says Genovese's Stephanie Hayter, "except for trial sizes, new fragrances just coming out and designers. There's been a slight increase overall."

"We've done all right in fragrances,' says Eckerd's Carol Allman. "The department store lines are still doing well, but so is our basic business. We think we're dealing with two completely different types of customers."

"Our mass fragrance sales are flat," says PayLess cosmetic buyer Shari Ralston, "but our designer sales are good, and we could do even better if the availability for some of the strongest brands like Eternity would open up."

Among the new launches in mass, Cover Girl's Incognito, so far, has been a decent launch. It's not as dramatic a success as Navy, but it's doing well, and most buyers said the one ounce sampler that P&G used to introduce Incognito sold out very quickly.

"Designer fragrances are doing very well for us," says Snyder's cosmetic buyer Susan Lund. "It all sells. Incognito is not as hot as Navy, but it's doing well, and Navy is still hot. All the Coty fragrances are also very good for us."

Designer fragrances and trial sizes are showing the biggest gains, with designer brands posting double-digit increases.

At Genovese, Muelhens Inc., which used to be known as Colonia, is doing well with two kick-off launches, Priscilla Presley's Moments and Carrera For Men. At press time, Hayter said Carrera had just gotten into full distribution in her stores and was "starting to take off."

Quintessence's Jovan White Musk For Men was just in the process of shipping and Coty's Gravity and Truly Lace will ship this fall, but most buyers were optimistic about the changes for all three lines.

"Caliente looks good," says Lund. "The packaging is very nice. Jovan Musk does better with men than women, so that makes me think that their new White Musk For Men has got to be at least as good as last year's White Musk For Women."

Ralston expects to do a very good business with Caliente and she expects Truly Lace to also be strong.

The men's fragrance business at PayLess is healthier now than the women's fragrance business, thanks in part to the success of Drakkar Noir and Polo. But Coty has always done well with its brands, so she thinks they may score well with their newest men's scent, Gravity.

"Gravity looks good. It's eye catching, but simple. It reminds me of Ex Cla Ma Tion."

As the year evolves, however, most buyers predict that there will be a fallout in the mass fragrance category. "We'll be cutting back on the fragrances without support to make room for the new ones coming out," says Hayter.

With 32 stores on POS at press time, she's able to really see what is and isn't selling. Navy, she says, has six SKUs in her stores, and they eat up considerable shelf space, but, she stresses, they all turn.

"Some of the POS data is eye opening, Jean Naté, for example, or Jovan Musk. They're old standbys and

Continued on page 103

Women's fragrance growth sales trends by trade class

Trade class	Percentage change 1991 vs. 1990	Average percent change for past five years
Chain drug	1.9%	4.4%
All drug	0.0	2.9
Mass	1.7	(0.3)

Food store sales trends are not available

Source: Nielsen Marketing Research.

1991 women's fragrance sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$577	$588	1.9%
All drug	715	715	0.0
Mass merchandisers	97	98	1.7
Total sales	812	813	0.2

Food store sales trends are not available.

Source: Nielsen Marketing Research.

Designer scents lead category

Continued from page 100

they're basically merchandised in basic stock, but they do well. The Jovan Musk 4-ounce cologne, in particular, stands out."

She expects some of the new launches like Caliente, White Musk For Men, Gravity, Truly Lace to do very well, and she's prepared to drop fragrances that show up "on the bottom of the ranking list" to make room for them.

"If you don't sell one piece per store in six months, you're wasting time and money stocking it. We're trying to make our inventory lean and mean, at the warehouse, as well as the store. And to get turns, if someone's sales aren't so great, you have to cut them."

Alternative scents

In the alternative designer category, Parfums de Coeur has a new men's shipper coming out in July that looks very good to Hayter. "The shipper should be a real success. This time, I think the men's fragrances may do real well."

She also believes Parfums de Coeur has a hot stocking stuffer for Christmas: body sprays packaged in little champagne bottles. She says the "cute packaging" should do very well at Christmas.

At K&B, Cover Girl's new Incognito is off to a very good start. Donna McManus says she's been getting good reorders.

Ciara did very well for K&B as a Mother's day promotion. McManus said sales were "excellent." Ex Cla Ma Tion, Sand & Sable and Factor's Toujours Moi also do very well in stores.

Quintessence's new Caliente women's fragrance had not shipped at press time, but she likes it and thinks it has more than a decent chance to do very well in the fourth quarter. The Quintessence Aspen For Men line is also doing very well in K&B stores.

At Eckerd, Incognito was starting off slowly. The chain was one of the first chains to promote Incognito, but Allman said they broke their ads early before P&G had their media campaign underway. "It may be getting stronger now. We have to wait and see," she said.

Caliente hadn't gotten on the shelf yet at press time, and Coty hadn't shipped yet either.

She said her expectations for the two Coty fragrance launches were particularly big. "For one thing, fragrances do particularly well here because we're in so many hot climates, and for another, we've always done very well with Coty."

Revco also reported getting a slow start with Incognito. The chain's Navy sales are also slightly down this year, and Judy Wray is hoping that the new packaging changes that P&G is giving Navy will help rejuvenate sales.

She thinks that Coty's Truly Lace may be a little too similar to the L'Effleur cologne launched last year. She says Gravity, however, is interesting both in its look and its positioning.

She likes the pretty packaging on Caliente from Quintessence and says the Christmas package looks like a winner as well. White Musk sales are doing well in Revco and Wray thinks the new White Musk for Men may also come in strong.

She put in the old Houbigant fragrances like Chantilly and Lutece, now owned by Houbigant/Parfums Parquet, last spring and reports sales have been very good.

Men's fragrance growth sales trends by trade class
(After shaves and colognes)

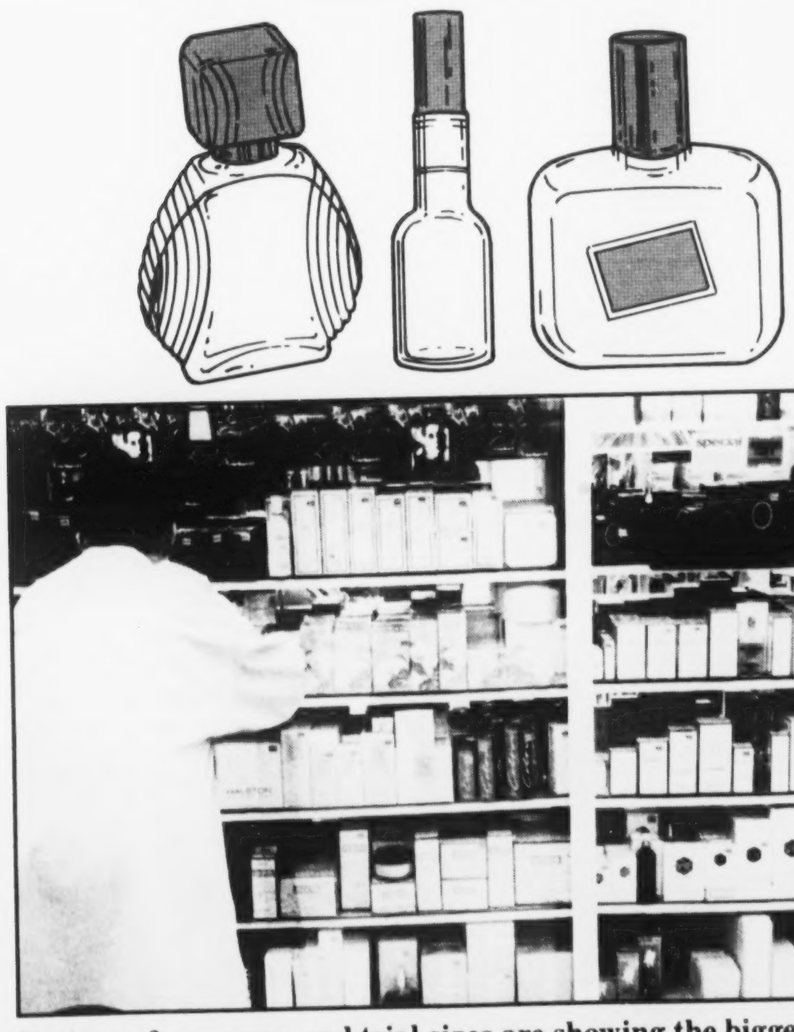
Trade class	Percentage change 1991 vs. 1990	Average percentage change for past five years
Chain drug	(2.1%)	4.5%
All drug	(4.8)	2.8
Food*	(1.9)	3.4
All food	(2.0)	5.2
Mass	4.1	5.8
Total	(2.2)	3.9

Stores doing over $2 million.
Source: Nielsen Marketing Research.

1991 men's fragrance sales by trade class

Trade class	1990 Dollar sales in thousands	1991 Dollar sales in thousands	Percentage change
Chain drug	$322	$315	(2.1%)
All drug	393	374	(4.8)
All food stores	116	114	(2.0)
Mass merchandisers	153	159	4.1
Total sales	662	647	(2.2)

Source: Nielsen Marketing Research.



Designer fragrances and trial sizes are showing the biggest gains, with designer brands posting double-digit increases.

Cosmetics, fragrance depts. show strongest growth in lip color and face makeups

Chain drug cosmetic buyers report that new product launches are propelling good unit and dollar sales gains in lipsticks during the first half of 1992.

A concurrent year-end review of color cosmetic sales by Nielsen Marketing Research corroborates this trend.

Comparing 1991 to 1990, Nielsen reports that lipstick generated the strongest dollar sales increases in color cosmetics: up 7 percent in sales versus a 1.5 percent increase for the entire color cosmetic category.

According to Nielsen, face makeups were the only other category to show growth in the three trade classes that compromise Nielsen's current definition of mass outlets: up 3.3 percent for 1991 versus last year. Eye color sales were down 3.6 percent in mass and nail color was down 2.7 percent. But, Nielsen noted that the declines weren't universal across all the trade classes that make up the mass market.

Nielsen Marketing Research reported that independents suffered sharp declines last year, even in growth segments like lipsticks and makeups. Chains, on the other hand, increased dollar sales 6.7 percent for lipsticks and 4.5 percent for makeups.

Color cosmetics

In all four of the color cosmetic categories, mass merchandisers such as Wal-Mart, Kmart and Target generated the strongest growth surges, and in two segments, eye and nail color, they were the only trade class generating growth in what were otherwise declining categories. That, of course, means they are capturing sales from competing drug and food chains.

Chains vs. independents

As has been the case for many years in the cosmetics category, chain drug stores continue to do a better job than independent drug store operators in driving cosmetic sales. Last year in the lipstick category, they generated a 6.7 percent increase in lipstick sales while independents suffered a 4 percent decline in sales.

Nielsen reports that the drug store industry, as a whole, maintained only a moderate 4.7 percent increase in lipstick sales.

There are a number of reasons why chains are outperforming independents in the color cosmetic categories. Chains, of course, are able to buy direct from the key cosmetic vendors, making it possible for them to warehouse such lines as Revlon, L'Oréal, Cover Girl and Maybelline, while independents either have to buy from a wholesaler or have their stores serviced direct by a broker or manufacturer sales rep.

This means independents usually have to pay a higher markup for the cosmetics they purchase and they're more vulnerable to out-of-stocks since they don't have replenishment stock at their ready disposal.

To maintain an acceptable margin, they have to pass their costs along to consumers which hurts their ability to be competitive.

Independents are often overwhelmed by the thousands of SKUs that make up the cosmetic category: by the frequency with which new SKUs are introduced and then eliminated from the category, as new shade collections and other promotional items are launched and then discontinued.

Many independents feel uncomfortable with the category, feeling that their expertise is in pharmacy, not in fashion or color shade changes.

Courting cosmetic shoppers

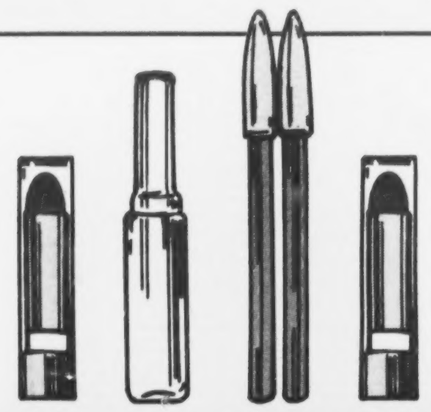
Chains, on the other hand, are aggressively trying to court the cosmetic shopper. In the last few years, they have been striving to transform their cosmetic departments into exciting, interesting and fun places to shop. Most of the major chains have either finished refurbishing

Continued on page 106

Lipsticks: six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$220	$238	$252	$273	$295	$309
Food	51	57	63	73	78	79
Mass	58	61	65	73	78	94
Total	329	356	380	419	450	482

Source: Nielsen Marketing Research.



Face makeup: six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$293	$320	$353	$360	$391	$399
Food	89	101	113	121	130	125
Mass	111	119	124	135	144	163
Total	492	540	590	615	665	687

Source: Nielsen Marketing Research.

Lipsticks: six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	67%	67%	66%	65%	66%	64%
Food	15	16	17	17	17	16
Mass	18	17	17	18	17	20

Source: Nielsen Marketing Research.

Face makeup: six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	59%	59%	60%	59%	59%	58%
Food	18	19	19	19	19	18
Mass	23	22	21	22	22	24

Source: Nielsen Marketing Research.

Lip color, face makeup show strongest growth

Continued from page 105

or remodeling their cosmetic departments or are in the process of doing so.

Chains can go direct to manufacturers for help in developing new fixtures or shelf organizers that will help them enhance their presentation of cosmetics while maximizing turns. They usually are the first to see the new fixtures that such manufacturers as L'Oréal, Cover Girl, Revlon and Max Factor develop each year, and they're faster than independents in getting these fixtures into their stores. That not only makes their departments more attractive to shop, but it also makes them more productive since many of these fixtures are designed to turn product and enhance the presentation of cosmetic products.

Chains are trying to beef up service in their cosmetic departments, often expanding the number of stores with cosmeticians and going to the expense and effort to train them regularly with schools, videos, manuals and other training aids.

Move faster for new products

Chains are quicker than independents to pick up on major new product launches like Cover Girl's Remarkable, Revlon's Outrageous or Coty's Refinements lipsticks.

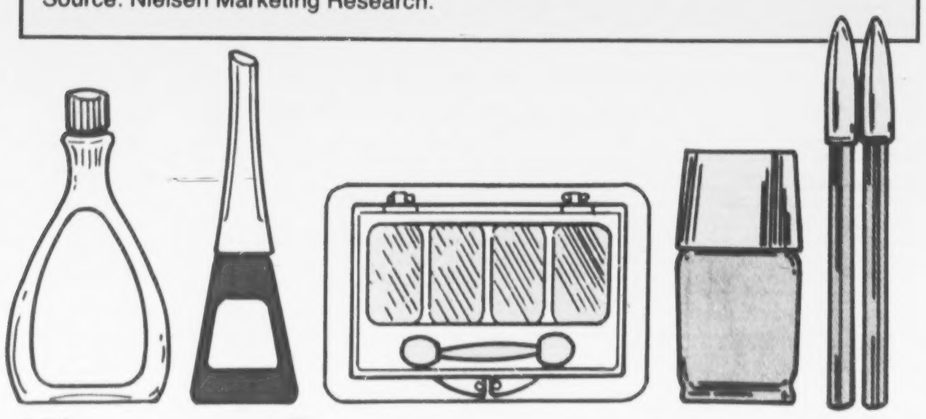
Buyers often say that without new launches like this, there would be no growth in their categories, but it can take two to three years or more before the average independent is able to work these launches into his planogram.

For 1991, Nielsen reported that sales of women's fragrances in chain drug outlets were down 1.9% from '90. For the past five years, sales of women's fragrances have increased 4.4% in chain drug stores.

Nail color six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$163	$154	$159	$164	$175	$166
Food	43	41	42	46	48	43
Mass	54	49	46	50	49	55
Total	260	244	246	260	271	264

Source: Nielsen Marketing Research.



In some cases, independents have given up on the color cosmetics category completely and don't even try to compete. They beef up their fragrance departments instead, because it's simply easier for an independent to deal with a local fragrance supplier, get a good price for the fragrance he or she wants and be able to stay in stock on the brands most frequently in demand.

But, while the Nielsen numbers show that chains are proving that they can manage the color cosmetic category better than their independent counterparts, the same numbers indicate that chains are under pressure from aggressive mass merchandisers.

The fight for lipstick sales

For 1991, in the lipstick category, for example, mass merchandisers generated a 21 percent increase in dollar sales compared to the 6.7 percent increase that chains generated.

Looking at a five-year trend of dollar sales, Nielsen noted that mass merchandisers have consistently dominated the lipstick category in terms of growth, and their growth performance is getting stronger with each passing year.

Over the past five years, lipstick sales for mass merchandisers have increased 63 percent, an average rate of 10.2 percent a year. Last year, as stated earlier, their increase was 21.1 percent, so it's clear they are nowhere near saturation in this category.

In contrast, over the past five years, lipstick sales in chains have increased 53 percent, an average rate of 8.8 percent a year. Comparing their growth last year—6.7 percent—to their average for the past five years, it is clear that even though they're getting increases in this category, their momentum is softening.

Food stores are showing the same trend but at a more accelerated rate.

Supermarkets doing over $2 million a year in sales account for 99 percent of all food store lipstick sales; those sales last year were basically flat, up just 1.4 percent in dollars. Over the past five years, lipstick sales in supermarkets have increased 56 percent, an average rate of 9.2 percent per year.

With the exception of combination food and drug stores, the food store industry has been shying away from the complicated, inventory-intensive color cosmetic category in recent years; these numbers reflect the consequences of that strategy. The 1.4 percent increase they generated in lipstick is a paltry gain compared to the 9.2 percent they were averaging over the past five years.

Eye makeup: six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$244	$254	$288	$283	$280	$267
Food	87	95	105	108	112	101
Mass	99	103	103	105	104	110
Total	430	452	495	496	496	478

Source: Nielsen Marketing Research.

Face makeups

According to chain drug store color cosmetic buyers, face makeups, as a category, has also been showing growth through the first half of 1992, thanks again to new product activity, relaunches and expansion of the ethnic face makeup category.

In 1991, Nielsen reports that face makeup sales increased 3.3 percent vs. last year in all mass outlets.

As an industry, drug stores generated 2 percent of that growth. Once again, the growth in face makeup sales in the drug store trade class was entirely due to the success chains have had in building this category. Face makeup sales in 1991 were up 4.5 percent in chains, but fell 9.8 percent in independents.

As the average food store backs off from the color cosmetic category, their sales of segments like face makeups continue to plummet. In 1991, Nielsen reports that face makeup sales in food stores were down 3.9 percent.

However, the strongest surge in face makeup sales came in the mass merchandise trade class. Nielsen reports face makeup sales in mass merchandise stores were up 13 percent versus a year ago. Once again, mass merchandiser performance in this category is getting stronger with each passing year. According to Neilsen, over the past five years, face makeup sales in mass merchandise stores increased 47 percent, an average rate of 8.1 percent a year.

In supermarkets doing over $2 million a year in sales—which account for 98 percent of all food store face makeup sales—category volume over the past five years has increased 42 percent, an average rate of of 7.3 percent a year. Last year, food store sales for makeup were down 3.9 percent, again an indicator of its abandonment of the category.

Chains, of course, are not abandoning the face makeup category, but mass merchandisers are encroaching on their strength in this business. Over the past five years, sales have increased 49 percent in chains, an average rate of 8.3 percent a year. Last year, their sales were only up 4.5 percent.

The numbers seem to indicate that the strategies chains are adopting to protect their cosmetic franchise are successful, in that they are still growing sales in some segments of cosmetics, but they also indicate that more work remains to be done and that chains must remain vigilant in the color cosmetic category or they may lose their dominance to the mass chains.

In 1991, eye color dollar sales were soft in every trade

Continued on page 108

Nail color: six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	63%	63%	64%	63%	64%	63%
Food	16	17	17	18	18	16
Mass	21	20	19	19	18	21

Source: Nielsen Marketing Research.

Eye makeup: six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	57%	56%	58%	57%	56%	56%
Food	20	21	21	22	23	21
Mass	23	23	21	21	21	23

Source: Nielsen Marketing Research.

Face makeup, lip color show strongest growth

Continued from page 106
class except mass the merchandise stores.

Buyers tell *Drug Store News* this was partly due to promotional wars in the mascara category, as Maybelline, L'Oréal and Revlon particularly battled for growth and share, using such weapons as $2 off promotions, coupons and price discounts.

The category has been soft for several years now and was down again in 1991 and the first half of 1992, buyers say.

However, a number of manufacturers now have some interesting new launches in shadows, and if they are as successful as buyers think they can be, the category could rebound dramatically in the second half of 1992. Cover Girl, L'Oréal, Revlon and Max Factor all have new products in this category, and some, like the new Cover Girl Breeze On shadows, are ready to bring new users into the category.

But for 1991, Nielsen reports that eye color sales overall were down 3.6 percent in mass market stores.

Chains took a 3.6 percent decline in dollar volume while food stores took a 9.6 percent hit.

Mass merchandisers were the only trade class to register growth in this cosmetic segment: up 5.6 percent in dollar sales. For the past five years, sales of eye color cosmetics are up 11 percent in mass merchandise stores, an average rate of 2 percent a year.

Over the past five years, eye color sales have increased 19 percent in chains, an average rate of 3.5 percent a year.

Last year, as stated earlier, their eye color sales were down 3.6 percent, so their growth in this category segment is being impaired by the competition.

Supermarkets doing over $2 million a year in sales account for 98 percent of all food store eye color sales; those sales, over the past five years, have increased 18 percent, an average rate of 3.3 percent a year. Last year, their sales in this category were down 9.7 percent, a reflection of their abandonment of the category.

Nail color

For nail color in 1991, Nielsen reports that three outlet mass sales were down 2.7 percent over last year.

Drug store cosmetic buyers tell *Drug Store News* that sales are flat because there is nothing new or exciting in the category—just the routine introduction of new shade collections and new holiday promotions.

However this year, two companies, Price Matchabelli with Cutex Color Quick and CCA with its 60-Second Instant Drying Nail Enamel, are coming out with innovative fast drying formulas that may create a sales resurgence in nail color, and some companies like Clarion, Revlon and Max Factor are repackaging their existing lines and that might help sales.

But for 1991, Nielsen reports that chains took a 3.0 percent decline in dollar volume while food store sales dropped 9.9 percent.

Mass merchandisers were again the only trade class to register growth in this cosmetic segment: up 11.9 percent in dollar sales. For the past five years, sales of nail color cosmetics have increased 2 percent in mass merchandiser stores, an average rate of 0.4 percent a year.

Over the past five years, sales have increased 9 percent in chains, an average rate of 1.8 percent a year, but as we said, last year, in chains, sales were down 3.0 percent.

Supermarkets doing over $2 million a year in sales account for 98 percent of all food store nail color sales; those sales, over the past five years, have increased 2 percent, an average rate of 0.4 percent a year. Last year, their sales in this category were down 9.9 percent.

Fragrances

With a few exceptions such as Coty and Cover Girl fragrances, sales of mass market scents in mass outlets have softened in recent years, hurt to a large extent by the easy availability of diverted department store fragrances at stores such as Walgreens and Wal-Mart at discounted prices.

In 1991, Nielsen reports the category was flat, with dollar sales declining 0.9 percent.

The men's fragrance category, colognes and after shaves, registered the sharpest declines, down 2.2 percent. Buyers report this reflects what they see happening in their stores. More consumers are buying department store fragrances like Drakkar Noir and Polo in mass stores; that is hurting the sales of mass lines such as Chaps, Stetson and Old Spice.

Mass merchandise stores were the only trade class recording growth in this segment, up 4.1 percent in dollar sales. For the past five years, sales of men's fragrances have increased 33 percent in those stores, an average rate of 5.8 percent a year.

Over the past five years, men's fragrance sales have increased 25 percent in chains, an average rate of 4.5 percent a year, but last year, those sales were down 2.1 percent.

Supermarkets doing over $2 million a year in sales account for 96 percent of all food store men's fragrance sales; those sales, over the past five years, have increased 18 percent, an average rate of 3.4 percent a year. Last year, their sales in this category were down 1.9 percent.

In the women's fragrance category in 1991, three outlet combined sales were up 0.2 percent versus 1990.

Coty has been instrumental in driving mass merchandise women's fragrance sales with the launch of exciting new brands such as Ex Cla Ma Tion and L'Effleur, and Procter & Gamble has been very successful with its first mass fragrance, Navy, and to some extent, this year's Incognito. Quintessence, a much smaller company than P&G, has also done an excellent job with sleeper fragrances such as Jovan White Musk and Aspen for Men and Women.

But with these few exceptions, not much has been happening in mass women's fragrances, and chains are reporting that their growth in the fragrance category is coming from the sales of department store lines such as Eternity, Obsession and Beautiful.

Buyers say women are responding well to the new launches of upscale skin care mass lines that deliver good value as well as pleasing results.

This could change in late 1992 when Coty will ship two new scents, Gravity for Men and Truly Lace for Women; Quintessence will launch Jovan White Musk for Men and Caliente, and Revlon and Cosmair will reportedly be kicking in stronger support for their fragrances at Christmas.

But for 1991, Nielsen reported that sales of women's fragrances in chain drug outlets were only up 1.9 percent from 1990. Over the past five years, women's fragrance sales have increased 24 percent in chains, an average growth rate of 4.4 percent a year.

Nielsen does not track women's fragrance sales in food stores, but in mass merchandise stores, it reports that sales were up 1.7 percent in 1991 versus 1990. For the past five years, sales of women's fragrances have decreased 2 percent in mass merchandiser stores, an average decline of 0.3 percent a year.

Mass merchandise stores haven't been as active in the fragrance category as in color cosmetics because, in most instances, they lack the service help that could discourage customers from stealing the higher end lines like Vanderbilt or Beautiful. But now that some chains have begun testing department store fragrances in a boutique presentation, they are hiring more sales clerks or cosmeticians to service these departments.

If that trend proves successful, in its current test in chains like Wal-Mart and Target, it could be expanded, and that would mean more competition for drug stores for all types of fragrance sales.

Men's fragrances: Six-year dollar sales share trends by trade class
(After shaves and colognes)

Trade class	1986	1987	1988	1989	1990	1991
Drug	61%	62%	63%	60%	59%	58%
Food	17	17	17	18	18	17
Mass	22	21	20	22	23	25

Source: Nielsen Marketing Research.

Men's fragrances: six-year dollar sales trends by trade class
(After shaves and colognes)

Trade class	1986	1987	1988	1989	1990	1991
Drug	$326	$349	$377	$391	$393	$374
Food	88	93	105	113	116	114
Mass	120	117	122	144	153	159
Total	534	559	603	648	662	647

Source: Nielsen Marketing Research.

Women's fragrances: Six-year dollar sales share trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	86%	88%	89%	89%	88%	88%
Mass	14	12	11	11	12	12

Food store sales trends are not available.
Source: Nielsen Marketing Research.

Women's fragrances: six-year dollar sales trends by trade class

Trade class	1986	1987	1988	1989	1990	1991
Drug	$621	$628	$634	$671	$715	$715
Mass	100	88	82	83	97	98
Total	721	716	715	754	812	813

Food store sales trends are not available.
Source: Nielsen Marketing Research.

Marketing highlights

This category had all-outlet sales of $127 million during the 52-weeks ending March 16, 1991 (up 16 percent against 1990). Unit sales of 24.7 million were up 13 percent from last year. The average price reported by consumers was $5.14 per unit, an increase of 3 percent from 1990. (Units are the total number of items purchased, not equivalized.)

Household penetration grew by 1.2 points to 15.8 percent of the 94.7 million U.S. households. Each of the 15.0 million households purchasing the category this year spent an average of $8.46. They purchased the category at a rate of 1.3 times during the year, buying on average, 1.2 units on each occasion.

Consumers reported using coupons with 9 percent of their purchases (down 1 point from last year) and that 23 percent of the units were bought on some type of retailer promotion (unchanged).

Mass merchandisers led channel performance with 31 percent of annual unit sales. Almost 5 percent of U.S. households (35 percent of category buyers) purchased an average of 1.5 units each through this channel last year. Other non-food stores showed the greatest increase in purchase rate, growing to 2.1 units per buying household. This channel accounts for 7 percent of total unit sales.

Non-food outlets account for 67 percent of the category's purchased unit volume. Net household penetration is 11 percent for non-food channels, or about 69 percent of category buyers used the outlet for at least one purchase.

Trade channels — Share of all-outlet unit sales

Supermarkets 29% (unit/buyer = 1.5, penetration = 5% of hhlds)

Convenience stores 1% (unit/buyer = 1.2, penetration = <1% of hhlds)

Warehouse clubs 1% (unit/buyer = 1.7, penetration = <1% of hhlds)

Other food 2% (unit/buyer = 1.2, penetration = <1% of hhlds)

Drug stores 29% (unit/buyer = 1.5, penetration = 5% of hhlds)

Mass merchandisers 31% (unit/buyer = 1.5, penetration = 5% of hhlds)

Other non-food 7% (unit/buyer = 2.1, penetration = 1% of hhlds)

Consumer characteristics

The lifestage group with the highest purchase index is "maturing families." They represent 21 percent of total U.S. households and account for 32 percent of unit sales (index = 152). Household penetration for this group is 22 percent; average price paid is $4.71 per unit. The Pacific geographic area (18 percent of total U.S. households) has the highest purchase index, accounting for 21 percent of unit volume (index = 117).

Purchase dynamics	1990	1991	Change
Household penetration	14.6%	15.8%	1.2 pts
Purchase occasions (annual)	1.3	1.3	1.8%
Units per purchase	1.2	1.2	1.7%
Dollars per purchase	$6.03	$6.29	4.3%
One-time buyers	65%	66%	1 pt.
Male primary purchase	18%	22%	4 pts.

1991 Buyers Characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	13%	53%	52%
Households with children<13	28	22	40	41
Households with any teenagers	14	18	15	17
White households	86	17	92	92
Black households	11	8	5	5
Hispanic households	6	16	6	6
Metro (A and B counties)	72	16	74	73
Households with cable	59	16	61	63

Lifestage group — Share of all outlet unit sales

Young singles 4% (index = 82, price = $5.19, penetration = 14%)

Young cpls — NoChld 5% (index = 91, price = $5.39, penetration = 17%)

New families 11% (index = 134, price = $5.04, penetration = 23%)

Maturing families 32% (index = 152, price = $4.71, penetration = 22%)

Established families 7% (index = 95, price = $4.72, penetration = 16%)

MidAge singles 7% (index = 95, price = $5.18, penetration = 15%)

MidAge cpls — NoChld 10% (index = 103, price = $5.97, penetration = 14%)

Empty nesters 17% (index = 76, price = $5.30, penetration = 13%)

Older singles 7% (index = 50, price = $5.55, penetration = 8%)

Geographic region — Share of all-outlet unit sales

Northeast 24% (index = 109, price = $4.78, penetration = 17%)

East Central 14% (index = 101, price = $4.98, penetration = 16%)

West Central 12% (index = 74, price = $5.10, penetration = 13%)

South 29% (index = 97, price = $5.24, penetration = 16%)

Pacific 21% (index = 117, price = $5.53, penetration = 18%)

Source: Nielsen Marketing Research, NPD/Nielsen Inc.

Lifestage group definitions

1. Young singles: Single-member households with either a female or male aged 18 to 34.
2. Childless younger couples: Two-plus member households with no children and either a female head aged 18 to 34 with a male head 18 to 44, or a male head aged 18 to 34 with a female head aged 18 to 44.
3. New families: households with only pre-school age children under six years old.
4. Maturing families: households with children not all under 6, or all older than 12 years old.
5. Established families: households with only teenage children, those older than 12 years old.
6. Middle-age singles: single-member households with either a female or male aged 35 to 54.
7. Middle-age childless couples: two-plus member households with no children, and either a female head aged 35 to 54 with no male head, or a male head aged 35 to 54; or a male head aged 35 to 54 with no female head, or a female head aged 35 to 54.
8. Empty-nesters: two-plus member households with no children and either a female head aged 55 or more with no male head, or a male aged 55 or older.
9. Older singles: single-member households with either a female or male head aged 55 or older.

Other definitions

1. Index: 100 equals average household buying level.
2. Penetration: Percentage of households purchasing at least once during measured period.
3. Price: Average price paid.
4. Unit/buyer: Units purchased by household during measurement period.

DRUG STORE NEWS®

VOL. 2/NO. 6 | The Journal of Retail Pharmacy | JUNE 22, 1992

for the PHARMACIST

NEWS FOCUS

•Maryland pharmacists oppose the all-Pharm.D. degree by nearly two-to-one, according to a survey that raises questions about University of Maryland plans to mandate a six-year entry level program. Only 29 percent of the 2,466 licensed Maryland pharmacists responding favored the mandatory Pharm.D. scheme, and most of these conditioned their support on receiving Pharm.D. credentials without any further educational requirements. The poll, conducted by Nathan Associates for the Md. Assn. of Chain Drug Stores, found heavy opposition to the all-Pharm.D. plan among all segments of pharmacy including independents (57.4 percent opposed), hospital pharmacists (60.8 percent), and chain drug pharmacists (68.4 percent).

•Through a joint venture with the mail order firm of Allscripts Pharmaceuticals, Sears, Roebuck and Co. is offering pharmacy services to its catalog customers.

Ten million catalogs mailed in June will give Sears customers their first opportunity to order maintenance type prescription drugs and have them delivered to their home. Allscripts provides mail service prescriptions through the Sears catalog.

Once orders are received, Allscripts will ship prescriptions within 48 hours and accepts major credit cards. More than 10,000 drugs are available from Allscripts 30 pharmacists. Allscripts is a privately held company formed in 1986 and is located in Vernon Hills, Ill.

Generics make a comeback, can pharmacy trust them?

The fallout from the generic scandals is easing, ANDA approvals are on the rise again, and many of today's top selling brand name drugs will come off patent by 1995. All signs point to a dramatic rebound for the generic drug industry! But can pharmacists feel confident dispensing generics again?
Story begins on p.15.

Leroy's confronts AIDS crisis **51**

Stewart's bounces back from fire **56**

DRUG STORE NEWS
PHARMACIST

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

Publisher **JILL MANEE**
Editor **BRUCE BUCKLEY**
Pharmacy Editor **DIANNE THARP, R.Ph.**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Debady,** ext. 5234

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

REGIONAL SALES OFFICES

New York (212) 756-5220
Nat'l Accounts Manager: **Larry Krongold**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Area Manager: **Amanda Cimon**

Art Director **Bob Brokman**
Graphic Artist **Cate Johnson**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION AND CE
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director **Matthew J. Clancy, Sr.**
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**
CE Administrator **Latara Clements**

Board of Pharmacy Advisers
Clarence Archer Wal-Mart
Marty Belitz Shoppers Drug Mart
Len DeMino NACDS
Phillip R. Engle Bergen Brunswig Corp.
Robert King FoxMeyer Corp.
Howard Kramer Kmart Corp.
Tom Simone McKesson Corp.
Saul Schneider K&B Inc.
Al Sebok Revco D.S. Inc.
Bob Shapiro Perry Drug Stores Inc.

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Circulation **Martha Pattiey**
VP/Publisher **John Rapuzzi**
VP/Treasurer **Daniel J. Mills**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Publisher of Accounting Today, Drug Store News, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

editor's note

Ostriches beware: the new standard of practice

Many of you have been ready for OBRA '90 since Medicaid Catastrophic threatened in 1988. Your computer already does prospective DUR, screens for allergies, checks for drug interactions and gives out patient information leaflets. All you need to add is diagnosis, OTC medication history and retrospective DUR capability. So get with your computer vendor for an upgrade. There are knowledge bases and software already prepared that meet all anticipated OBRA '90 requirements.

Have you turned off any of these vital functions in the mistaken notion that what you don't know can't hurt you? Or because all those interaction messages are slowing down the dispensing process? Or because you think you are less liable this way? Think again, compadre, and don't let a clever attorney find out.

Listening to a pharmacist/attorney at MediSpan's first annual users meeting last month, I learned that this is one piece of information he would *love* to have as attorney for the plaintiff who may be suing you for negligence. Imagine that you are defending yourself in court. How do you explain turning off the "bells & whistles" to an attorney defending someone injured after you dispensed contraindicated drugs? It's got to be a pretty good excuse to get you out of this one.

Imagine on the other hand that you are on the stand explaining that, in the interest of patient care and according to the standard of practice, you heard the bells and whistles, *but* used your professional judgment and dispensed the medicines anyway. That's much better. It's a lot more difficult, according to this prospective plaintiff's attorney, to prove a mistake in judgment was negligence. The attorney now has the burden of showing that your decision was substantially different from most other reasonable pharmacists in your area. If you have intentionally turned off the screens, negligence would be easier to prove, and punitive damages easier to award.

No computer? No bells and whistles? NO EXCUSE! When the standard of practice is elevated, you'll have to keep in your head what others keep in their computers. Good luck!

We have the technology today. Be sure to use it to its best advantage for your patient's best care.

Dianne M Tharp

table of contents

Generics on the comeback

Generic market share is rising, ANDA approvals are on an upswing, and the industry appears to be back on course. Is it time for government, consumers, and pharmacists to forgive and forget the generic drug scandals? Page 15.

OTC merchandise categories

Incontinence 37
Lice products 39

My way of thinking 6
Regional recap 8
Executive view: OBRA '90 11
Third party news 12
Technician training: Duties 32
Chain Focus: Eckerd's & Big B 35
Physician's perspective 40
Technology corner 42
Association news 43
Different scripts: Joel & Jerry's 49
Drug watch 53
Tabs & caps 54
Independent focus: Stewart's . 56
New products 58
Continuing education 63

Any savings in home drug infusion therapy?

Home Drug Infusion Therapy—widely touted as an opportunity to reduce the nation's bulging health care budget—may not produce any significant savings for the Medicare program, researchers at the Congressional Office of Technology Assessment reported. Although Home Drug Infusion Therapy has been promoted as a technology that can shorten hospital stays for many elderly patients, it is "unlikely to lower Medicare costs in the short run."

The reason, according to the researchers, is that "Medicare pays hospitals on a per-patient basis" and discharging patients early because of HDIT "does not affect payments to hospitals."

Home drug infusion therapy could reduce Medicare costs if the program restricted HDIT to patients who could self-administer their own therapy, OTA said. In contrast, a broader eligibility standard "that allowed patients to go home with paid caretakers might raise Medicare costs."

GAO: pharmacy fraud victimizes 3rd-party

Although NARD is seeking legislation to curb anticompetitive collusion among third-party insurers, opponents of that plan may be able to draw fresh ammunition from a new General Accounting Office study suggesting that insurers should engage even more widely in "collaborative efforts."

Warning that "unscrupulous health care providers. . .cheat health insurance companies and programs out of billions of dollars annually," GAO concluded that limitations on "collaborative efforts" by health insurers to "confront fraudulent providers" is a key part of the problem.

Among the specific fraudulent practices cited by GAO: a scheme operated by a New York independent pharmacy which allegedly paid Medicaid recipients $10 to $40 for prescriptions. The pharmacists "then billed the state for the drugs in questions, but never actually provided them," the investigators said.

MIRC analyzes healthcare financing

The history of U.S. Healthcare financing and the current crisis is analyzed in a recent Market Intelligence report. Some of the highlights:

- rising insurance premiums are causing employers and government payers to decrease the breadth of healthcare coverage.
- employees are increasingly sharing the costs of healthcare benefits.
- some employers are limiting eligibility requirements, or dropping health coverage completely.
- 37 million Americans had no health insurance in 1991.
- HMOs, PPOs and ambulatory care facilities have flourished and should continue to expand in this era of rapidly rising costs and pressures to limit expenses.

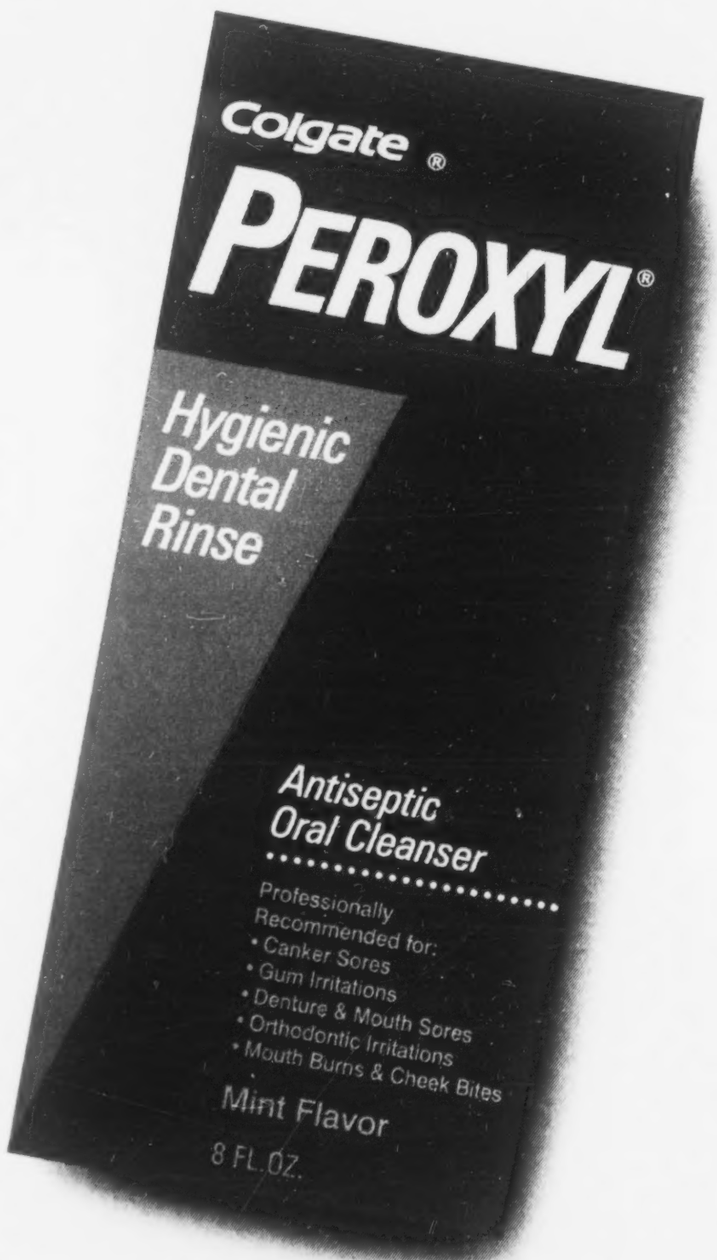
MIRC: (415) 961-9000.

Medicare enrollees and expenditures (U.S.)

Year	Total enrollees (millions)	Total expenditures ($ million)
1967	19.5	$ 4.74
1970	20.5	7.49
1975	25.0	16.32
1980	28.5	36.82
1985	31.1	72.29
1986	31.7	77.72
1987	32.4	82.03
1988	33.0	88.56
1989	33.7	99.27
1990	34.3	111.99

Note: all figures are rounded. Source: Market Intelligence.

TIMOTHY FERVIS RECOMMENDS IT FOR INFLAMMATION AFTER A DELUXE PEPPERONI PIZZA BURN.



You can recommend it too. For gums irritated by canker sores, orthodontics, cheek bites, dentures, even food burns. Peroxyl comes premixed and ready to use. And it actually tastes good. For gum problems, think Peroxyl. Your first line of defense for oral irritation.

FIRST IN ORAL FIRST AID

Colgate

Division of Colgate-Palmolive, One Colgate Way, Canton, MA 02021 USA. © 1992 Colgate-Hoyt/Gel-Kam

Hoyt/Gel-Kam

Circle #006 on Reader Service Card

Generics are on the comeback, but can pharmacy trust them?

By Ken Rankin

In the late 1980s, the pharmaceutical industry's 30-year family feud over the prescription market share finally appeared to be winding down. Generic drugs, once the black sheep of the marketplace, were emerging as a responsible alternative to their pricier brand-name cousins.

The knotty concerns over bioequivalence that had clouded the generic market for years were unraveling.

Third-party administrators in and out of government were designing intricate new mechanisms to maximize generic dispensing. And in Washington, the Waxman-Hatch Drug Price Competition Act had opened the gates for an upsurge in generic Abbreviated New Drug Applications (ANDAs) at FDA.

For their part, drug chains were building ambitious marketing programs to promote the availability of generic prescriptions, while consumer groups were urging the public to pressure pharmacists and prescribers to choose "cheaper generics."

But just as the acceptance of generics reached a high-water mark from Main Street to Wall Street, the fat hit the griddle.

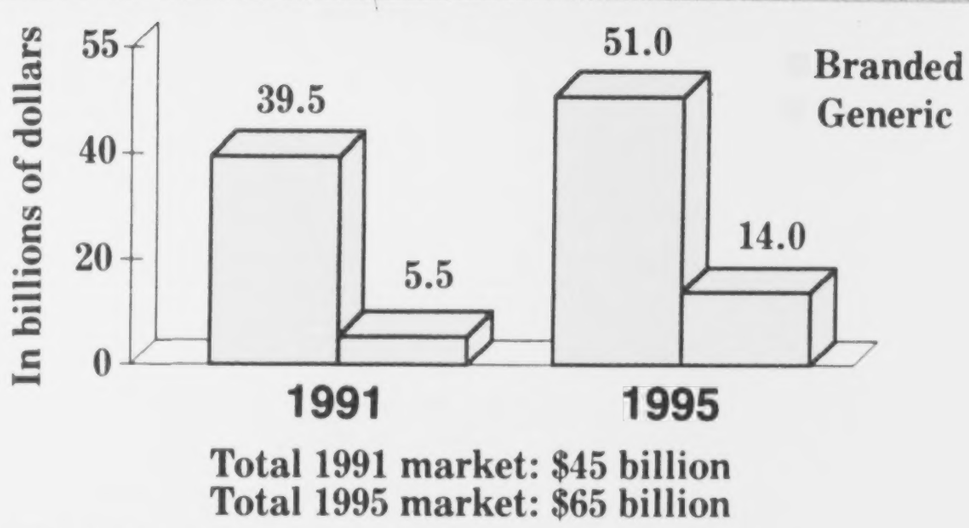
Tipped off to suspected fraud within the FDA's elite Generic Drug Approval division, congressional investigators barged into the agency's headquarters in mid-1988 with subpoenas for records. As the scandals gradually unraveled, federal investigators uncovered a pattern of fraud, corruption and bribery that raised serious questions about generic drugs, and the ability of FDA officials to ensure their safety and effectiveness.

The activities uncovered by government investigators ranged from falsification of safety and effectiveness data to outright bribery of FDA chemists responsible for reviewing generic ANDAs. In several cases, federal officials discovered that in their haste to secure FDA approval for their products, generic drug sponsors had substituted the brand name product for their copy to ensure bioequivalence.

At last count, Health and Human Services Inspector General Richard Kusserow reported 27 convictions stemming from his office's investigation of the generic drug approval scandals, a number of industry execs and FDA officials have received prison terms, and Congress started clamoring for new legis-

Continued on page 16

Generic vs. branded ethical drug sales in the U.S. 1991 and 1995

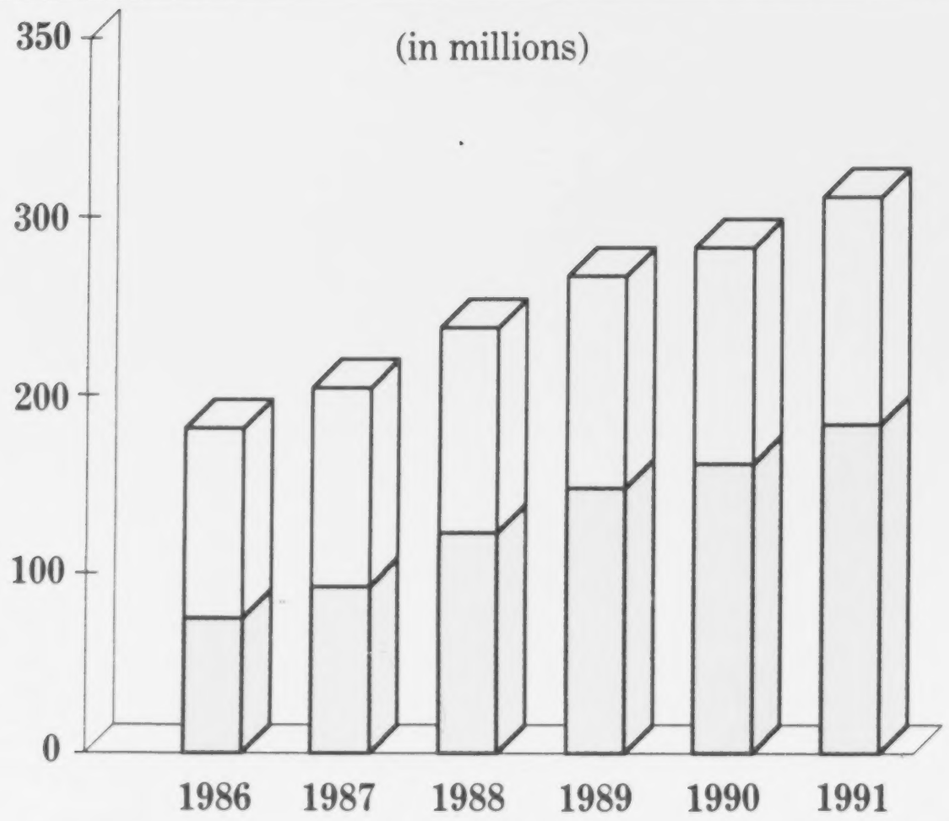


Total 1991 market: $45 billion
Total 1995 market: $65 billion

Frost & Sullivan, Inc.

Generics on the comeback; can pharmacy trust them?

Number of prescriptions involving pharmacist product choice



Source: IMS America, Ltd.

Industry exec looks into generic crystal ball

What's ahead for generics? William F. Haddad, chairman of the Generic Pharmaceutical Industry Association, and a long-time spokesman for the generic drug industry, sees major changes ahead in the marketplace during the next few years. Here's his prognosis:

Quite clearly by the end of the decade, there will be little left to a brand product's market share after a patent expires and the lines that distinguish the multisource from the innovator's product disappear.

Even the most wined and dined physician won't have the guts to put his name to a prescription requiring that it be filled with a branded product. Even if he had the guts, most state and federal and third-party reimbursement laws will prevent him from doing so. That, by itself, will push the two segments of the industry closer together.

What we look at as innovative today, will be routine in a matter of years, dictated by the pragmatics of the marketplace and not by politics. I look forward to that day. ■

Continued from page 15

lation to rein in the "scoundrels" in the generic pharmaceutical industry. (Last month Congress did act—approving a sweeping new generic "debarment" bill that authorizes the FDA to thumb down new drug applications for manufacturers who engage in fraudulent product approval practices.)

Confidence shaken

But the damage had been done. The scandals had shaken the nation's confidence in generic drugs and advocates of generics were expressing concern that the best hope for holding down the cost of medicine was slipping away.

But that was a year ago. Today there is a new sense of optimism encircling the generic drug marketplace. By most accounts, the worst is over for the generic industry, approvals of ANDAs is on the rise again, and according to many, it is once again "respectable" and "responsible" to advocate generic substitutes.

But is it really over? Is public acceptance in generic drugs on the upswing again? Can drug chains and independent pharmacists accept generics with the same level of confidence as five years ago?

The answers to those questions are of pressing concern to both community pharmacists and the nation's financially-strapped health care system.

Indeed, by 1995 at least 45 of today's top 50 brand name drugs will lose patent or market exclusivity protection. According to UDL Labs president Michael K. Reicher, the combined annual sales of the drugs that will be coming off patent over the next few years is close to $20 billion.

Reicher, who also serves as chairman of the generic industry's National Association of Pharmaceutical Manufacturers, maintains the "genericization" of these products "would save the public $8-$10 billion a year."

To realize those savings, the acceptance of generic drugs by the public, by prescribers, and by pharmacists will have to rise measurably—and that is exactly what appears to be happening.

Despite the adverse publicity sparked by the FDA scandals, both the number of generically written prescriptions and the generic substitution by pharmacists has been rising steadily since the mid-1980s.

In 1987, 25 percent of new scripts were filled with products of the pharmacist's choosing. By last year, IMS's Rx Audit revealed that the percentage of new scripts where pharmacists made a product choice decision reached a record 34 percent. . .

Researchers at Walsh America reported a similiar upswing in generic prescribing, as well as a noticeable drop in the proportion of scripts requiring brand name products. Fewer than half (47.6 percent) of the prescriptions written last year were "brand only," down from 50.7 percent in 1990, they said.

Analysts at HKS 7 Company contend that, if anything, generic drug market penetration is growing even faster than these figures suggest. Indeed, they estimate that during the second half of 1991 nearly 40 percent of all new prescriptions were filled generically and that the generic share of the new prescription market will reach 65 percent by 1995.

Growing dollar sales

Although the more expensive brand name pharmaceutical will continue to dominate the market in terms of dollar sales, generics figure to make inroads on this front as well.

Researchers at Frost & Sullivan predict that sales of "branded ethical drugs" will rise 29 percent between 1991 and 1995, from $39.5 billion to $51 billion. But during that same period they expect generic drug dollar volume to grow five times faster, from $5.5 billion to $14 billion—a gain of 155 percent in just four years.

It's these sharp increases and forecasts for even stronger acceptance of generics in the years ahead that are fueling a renewed sense of optimism throughout the industry.

Indeed, officials at some generic drug houses now say the scandals that created turmoil throughout the industry for the past few years may have been a blessing in disguise.

Continued on page 19

Generics on the comeback

Continued from page 16

"The generic drug industry is much stronger today than it was before the scandals, and the future for generic pharmaceuticals is brighter than it has ever been," says Rugby-Darby president Michael Ashkin.

In large part, this is due to changes in top management at a number of generic firms.

"Until a couple years ago, this was an industry of entrepreneurs," an official at NAPM explained. "There has been a changing of the guard—more and more companies are turning to seasoned professional managers, and the industry has matured significantly."

Ashkin agrees, adding that this maturation process isn't limited to ceos. "We're seeing greatly upgraded middle management at many generic firms, and a lot of highly qualified people from brand name pharmaceutical houses are migrating to generic companies."

New prescriptions where pharmacists chose product	
1991	34%
1990	32
1989	30
1988	27
1987	25
1986	23
Source: IMS America, Ltd.	

Better still, industry leaders say, the fallout from the recent scandals finally seems to be ending.

"That chapter is almost behind us," says Bill Haddad, former vice chairman of Danbury Pharmaceuticals and long-time spokesman for the Generic Pharmaceutical Industry Association. "A few companies and a few individuals have yet to make their way through the criminal justice system, but for all practical purposes, the scandal is behind us," he says.

Even more encouraging for generic drug manufacturers is the fact that the FDA process for approving generic "abbreviated new drug applications" (ANDAs) appears to be back on track.

In 1988, before the impact of the generic approval scandals hit home at FDA, agency officials cleared nearly 700 applications, according to researchers at Walsh America. The total fell to less than 300 the following year, and in 1990 FDA approved fewer than 100 generics.

The backlog of ANDAs awaiting FDA action grew to more than 1,000 applications as agency officials put generic reviews on hold while they reorganized approval practices.

According to some industry officials, this slowdown in FDA approval activity caused more injury to the generic drug market than the adverse publicity from the scandals.

"Our company's sales didn't suffer directly because of the scandals," a top exec at one generic firm said. "Pharmacists continued to have confidence in our drugs and they continued to buy them. But FDA's inactivity during that period really hurt because it kept us from bringing out new products."

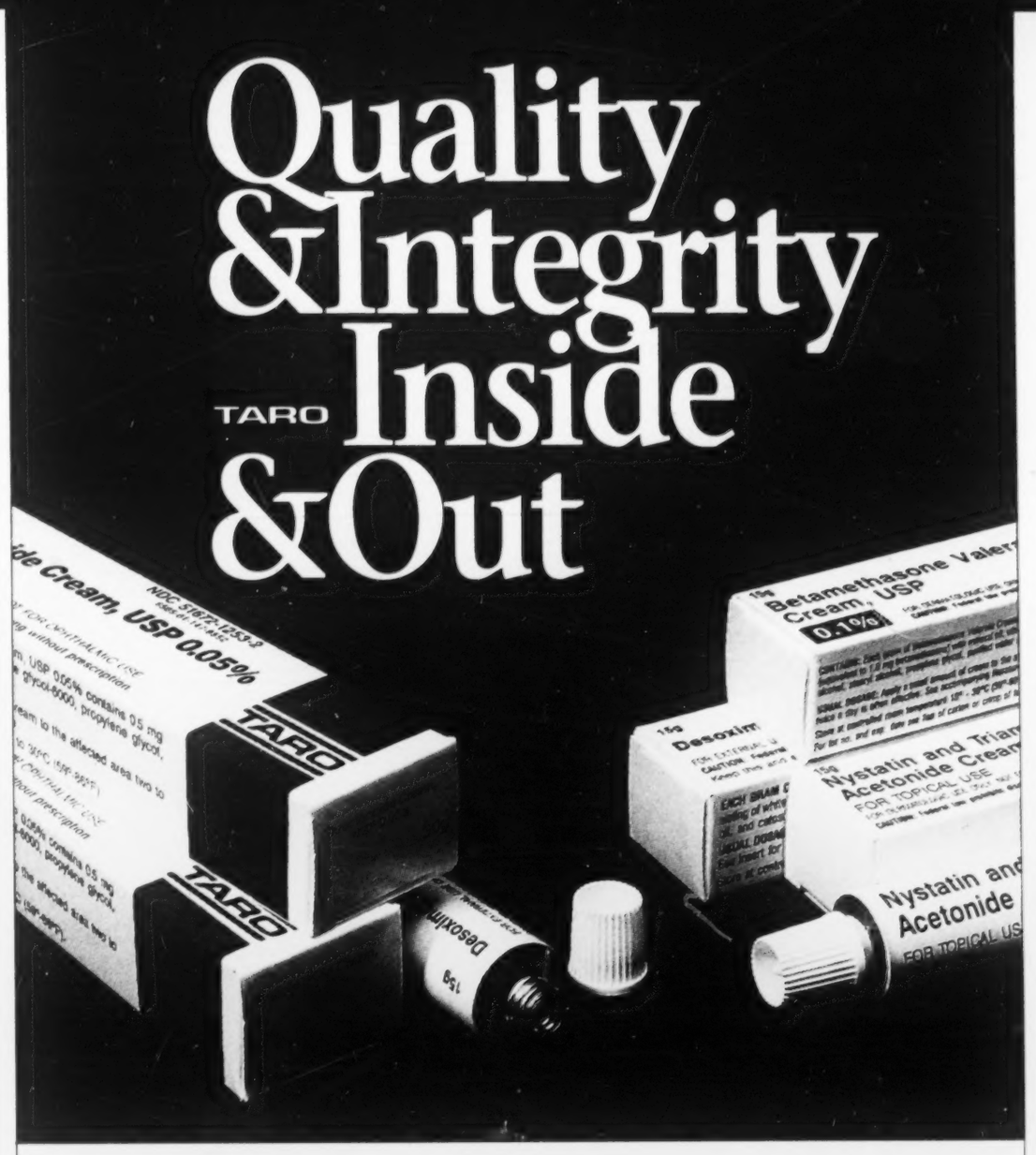
That situation is changing now.

"The ANDA log jam is broken and approvals are beginning to flow," Haddad said. "Although ANDAs are not yet entirely predictable, this essential ingredient for planning and managing our growth is in place."

In addition to moving ANDA approvals back on track, FDA is working to restore confidence in generics by establishing

Continued on page 22

Extra facings in **suncare** can **double sales!** Ask at Booth **218**
Herpecin-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150
Circle #035 on Reader Service Card



Quality Products
Inside you'll find over 40 years of worldwide experience in the manufacturing of quality products. We totally control the quality of all our fine topical products, assuring that patients consistently receive safe and efficacious drugs.

Superior Packaging
Outside you'll find the same attention to quality and detail that we give to the product inside. For example, every tube is safety sealed to protect the integrity of the drug. And we only use high-quality lithograph tubes and boxes.

Aggressive Sales Programs
Whether its a special sweepstakes contest, a two-for-one deal, or a volume discount program, you can count on TARO Pharmaceuticals U.S.A. to offer price competitive advantages for our quality line of products and value-added support and service.

Liberal Return Goods Policy
We pride ourselves on customer satisfaction. If for any reason a product doesn't move off the shelf or the expiration date passes, just return it within 12 months of expiration. No questions will be asked.

Taro Pharmaceuticals U.S.A., Inc.
Six Skyline Drive, Hawthorne, NY 10532
800-544-1449

TARO

©1992 Taro Pharmaceuticals U.S.A., Inc.

Circle #009 on Reader Service Card

INTEN
BL

NTIONA
LANK

NIFEDIPINE CAPSULES, USP

Brief Summary

INDICATIONS AND USAGE:

I. Vasospastic Angina: Nifedipine is indicated for the management of vasospastic angina confirmed by any of the following criteria: 1) classical pattern of angina at rest accompanied by ST segment elevation, 2) angina or coronary artery spasm provoked by ergonovine, or 3) angiographically demonstrated coronary artery spasm. In those patients who have had angiography, the presence of significant fixed obstructive disease is not incompatible with the diagnosis of vasospastic angina, provided that the above criteria are satisfied. Nifedipine may also be used where the clinical presentation suggests a possible vasospastic component but where vasospasm has not been confirmed, e.g., where pain has a variable threshold on exertion or in unstable angina where electrocardiographic findings are compatible with intermittent vasospasm, or when angina is refractory to nitrates and/or adequate doses of beta blockers.

II. Chronic Stable Angina (Classical Effort-Associated Angina): Nifedipine is indicated for the management of chronic stable angina (effort-associated angina) without evidence of vasospasm in patients who remain symptomatic despite adequate doses of beta blockers and/or organic nitrates or who cannot tolerate those agents.

In chronic stable angina (effort-associated angina) nifedipine has been effective in controlled trials of up to eight weeks duration in reducing angina frequency and increasing exercise tolerance, but confirmation of sustained effectiveness and evaluation of long term safety in these patients are incomplete.

Controlled studies in small numbers of patients suggest concomitant use of nifedipine and beta blocking agents may be beneficial in patients with chronic stable angina, but available information is not sufficient to predict with confidence the effects of concurrent treatment, especially in patients with compromised left ventricular function or cardiac conduction abnormalities. When introducing such concomitant therapy, care must be taken to monitor blood pressure closely since severe hypotension can occur from the combined effects of the drugs. (See WARNINGS.)

CONTRAINDICATIONS:

Known hypersensitivity reaction to nifedipine.

WARNINGS:

Excessive Hypotension: Although in most patients, the hypotensive effect of nifedipine is modest and well tolerated, occasional patients have had excessive and poorly tolerated hypotension. These responses have usually occurred during initial titration or at the time of subsequent upward dosage adjustment, and may be more likely in patients on concomitant beta blockers.

Severe hypotension and/or increased fluid volume requirements have been reported in patients receiving nifedipine together with a beta blocking agent who underwent coronary artery bypass surgery using high dose fentanyl anesthesia. The interaction with high dose fentanyl appears to be due to the combination of nifedipine and a beta blocker, but the possibility that it may occur with nifedipine alone, with low doses of fentanyl, in other surgical procedures, or with other narcotic analgesics cannot be ruled out. In nifedipine treated patients where surgery using high dose-fentanyl anesthesia is contemplated, the physician should be aware of these potential problems and, if the patient's condition permits, sufficient time (at least 36 hours) should be allowed for nifedipine to be washed out of the body prior to surgery.

Increased Angina and/or Myocardial Infarction: Rarely, patients, particularly those who have severe obstructive coronary artery disease, have developed well documented increased frequency, duration and/or severity of angina or acute myocardial infarction on starting nifedipine or at the time of dosage increase. The mechanism of this effect is not established.

Beta Blocker Withdrawal: Patients recently withdrawn from beta blockers may develop a withdrawal syndrome with increased angina, probably related to increased sensitivity to catecholamines. Initiation of nifedipine treatment will not prevent this occurrence and might be expected to exacerbate it by provoking reflex catecholamine release. There have been occasional reports of increased angina in a setting of beta blocker withdrawal and nifedipine initiation. It is important to taper beta blockers if possible, rather than stopping them abruptly before beginning nifedipine.

Congestive Heart Failure: Rarely, patients, usually receiving a beta blocker, have developed heart failure after beginning nifedipine. Patients with tight aortic stenosis may be at greater risk for such an event, as the unloading effect of nifedipine would be expected to be of less benefit to these patients, owing to their fixed impedance to flow across the aortic valve.

PRECAUTIONS:

General: Hypotension: Because nifedipine decreases peripheral vascular resistance, careful monitoring of blood pressure during the initial administration and titration of nifedipine is suggested. Close observation is especially recommended for patients already taking medications that are known to lower blood pressure. (See WARNINGS.)

Peripheral Edema: Mild to moderate peripheral edema, typically associated with arterial vasodilation and not due to left ventricular dysfunction, occurs in about one in ten patients treated with nifedipine. This edema occurs primarily in the lower extremities and usually responds to diuretic therapy. With patients whose angina is complicated by congestive heart failure, care should be taken to differentiate this peripheral edema from the effects of increasing left ventricular dysfunction.

Laboratory Tests: Rare, usually transient, but occasionally significant elevations of enzymes such as alkaline phosphatase, CPK, LDH, SGOT and SGPT have been noted. The relationship to nifedipine therapy is uncertain in most cases, but probable in some. These laboratory abnormalities have rarely been associated with clinical symptoms, however, cholestasis with or without jaundice has been reported. Rare instances of allergic hepatitis have been reported.

Nifedipine, like other calcium channel blockers, decreases platelet aggregation *in vitro*. Limited clinical studies have demonstrated a moderate but statistically significant decrease in platelet aggregation and increase in bleeding time in some nifedipine patients. This is thought to be a function of inhibition of calcium transport across the platelet membrane. No clinical significance for these findings has been demonstrated.

Positive direct Coombs test with/without hemolytic anemia has been reported.

Although nifedipine has been used safely in patients with renal dysfunction and has been reported to exert a beneficial effect in certain cases, rare, reversible elevations in BUN and serum creatinine have been reported in patients with preexisting chronic renal insufficiency. The relationship to nifedipine therapy is uncertain in most cases but probable in some.

Drug Interactions: ***Beta-adrenergic blocking agents:*** (See INDICATIONS and WARNINGS.) Experience in over 1400 patients in a non-comparative clinical trial has shown that concomitant administration of nifedipine and beta-blocking agents is usually well tolerated, but there have been occasional literature reports suggesting that the combination may increase the likelihood of congestive heart failure, severe hypotension or exacerbation of angina.

Long acting nitrates: Nifedipine may be safely co-administered with nitrates, but there have been no controlled studies to evaluate the antianginal effectiveness of this combination.

Digitalis: Administration of nifedipine with digoxin increased digoxin levels in nine of twelve normal volunteers. The average increase was 45%. Another investigator found no increase in digoxin levels in thirteen patients with coronary artery disease. In an uncontrolled study of over two hundred patients with congestive heart failure during which digoxin blood levels were not measured, digitalis toxicity was not observed. Since there have been isolated reports of patients with elevated digoxin levels, it is recommended that digoxin levels be monitored when initiating, adjusting, and discontinuing nifedipine to avoid possible over- or under-digitalization.

Coumarin anticoagulants: There have been rare reports of increased prothrombin time in patients taking coumarin anticoagulants to whom nifedipine was administered. However, the relationship to nifedipine therapy is uncertain.

Cimetidine: A study in six healthy volunteers has shown a significant increase in peak nifedipine plasma levels (80%) and area-under-the-curve (74%) after a one week course of cimetidine at 1000 mg per day and nifedipine at 40 mg per day. Ranitidine produced smaller, non-significant increases. The effect may be mediated by the known inhibition of cimetidine on hepatic cytochrome P-450, the enzyme system probably responsible for the first-pass metabolism of nifedipine. If nifedipine therapy is initiated in a patient currently receiving cimetidine, cautious titration is advised.

Carcinogenesis, Mutagenesis, Impairment of Fertility: Nifedipine was administered orally to rats for two years and was not shown to be carcinogenic. When given to rats prior to mating, nifedipine caused reduced fertility at a dose approximately 30 times the maximum recommended human dose. *In vivo* mutagenicity studies were negative.

Pregnancy: Pregnancy Category C. Nifedipine has been shown to be teratogenic in rats when given in doses 30 times the maximum recommended human dose. Nifedipine was embryotoxic (increased fetal resorptions, decreased fetal weight, increased stunted forms, increased fetal deaths, decreased neonatal survival) in rats, mice and rabbits at doses of from 3 to 10 times the maximum recommended human dose. In pregnant monkeys, doses 2/3 and twice the maximum recommended human dose resulted in small placentas and underdeveloped chorionic villi. In rats doses three times maximum human dose and higher caused prolongation of pregnancy. There are no adequate and well controlled studies in pregnant women. Nifedipine should be used during pregnancy only if the potential benefit justifies the potential risk to the fetus.

ADVERSE REACTIONS:

In multiple-dose U.S. and foreign controlled studies in which adverse reactions were reported spontaneously, adverse effects were frequent but generally not serious and rarely required discontinuation of therapy or dosage adjustment. Most were expected consequences of the vasodilator effects of nifedipine.

Adverse Effect	Nifedipine (%) (N=226)	Placebo (%) (N=235)
Dizziness, lightheadedness, giddiness	27	15
Flushing, heat sensation	25	8
Headache	23	20
Weakness	12	10
Nausea, heartburn	11	8
Muscle cramps, tremor	8	3
Peripheral edema	7	1
Nervousness, mood changes	7	4
Palpitation	7	5
Dyspnea, cough, wheezing	6	3
Nasal congestion, sore throat	6	8

There is also a large uncontrolled experience in over 2100 patients in the United States. Most of the patients had vasospastic or resistant angina pectoris, and about half had concomitant treatment with beta-adrenergic blocking agents. The most common adverse events were:

Incidence Approximately 10%

Cardiovascular: peripheral edema
Central Nervous System: dizziness or lightheadedness
Gastrointestinal: nausea
Systemic: headache and flushing, weakness

Incidence Approximately 5%

Cardiovascular: transient hypotension

Incidence 2% or Less

Cardiovascular: palpitation
Respiratory: nasal and chest congestion, shortness of breath
Gastrointestinal: diarrhea, constipation, cramps, flatulence
Musculoskeletal: inflammation, joint stiffness, muscle cramps
Central Nervous System: shakiness, nervousness, jitterness, sleep disturbances, blurred vision, difficulties in balance
Other: dermatitis, pruritus, urticaria, fever, sweating, chills, sexual difficulties.

Incidence Approximately 0.5%

Cardiovascular: syncope. Syncopal episodes did not recur with reduction in the dose of nifedipine of concomitant antianginal medication.

Incidence Less Than 0.5%

Hematologic: thrombocytopenia, anemia, leukopenia, purpura
Gastrointestinal: allergic hepatitis
Oral: gingival hyperplasia
CNS: depression, paranoid syndrome
Special Senses: transient blindness at the peak of plasma level
Other: erythromelalgia, arthritis with ANA (+)

Several of these side effects appear to be dose related. Peripheral edema occurred in about one in 25 patients at doses less than 60 mg per day and in about one patient in eight at 120 mg per day or more. Transient hypotension, generally of mild to moderate severity and seldom requiring discontinuation of therapy, occurred in one of 50 patients at less than 60 mg per day and in one of 20 patients at 120 mg per day or more. Very rarely, introduction of nifedipine therapy was associated with an increase in anginal pain, possibly due to associated hypotension.

In addition, more serious adverse events were observed, not readily distinguishable from the natural history of the disease in these patients. It remains possible, however, that some or many of these events were drug related. Myocardial infarction occurred in about 4% of patients and congestive heart failure or pulmonary edema in about 2%. Ventricular arrhythmias or conduction disturbances each occurred in fewer than 0.5% of patients.

In a subgroup of over 1000 patients receiving nifedipine with concomitant beta blocker therapy, the pattern and incidence of adverse experiences was not different from that of the entire group of nifedipine treated patients. (See PRECAUTIONS).

In a subgroup of approximately 250 patients with a diagnosis of congestive heart failure as well as angina, dizziness or lightheadedness, peripheral edema, headache or flushing each occurred in one in eight patients. Hypotension occurred in about one in 20 patients. Syncope occurred in approximately one patient in 250. Myocardial infarction or symptoms of congestive heart failure each occurred in about one patient in 15. Atrial or ventricular dysrhythmias each occurred in about one patient in 150.

A Trusted Name For Over Half A Century

PUREPAC®

Purepac Pharmaceutical Co.
200 Elmora Avenue, Elizabeth, New Jersey 07207
1-800-526-6978. In New Jersey 1-908-527-9100
Fax 1-908-527-0649

cover story

Generics are on the comeback

Continued from page 19

more stringent testing requirements for these products.

Under the new ground rules, many generics in the pipeline will have to undergo the same type of extensive clinical trials that are required for innovator products, and chemical testing requirements have been stiffened as well. As one industry official put it, "ANDAs are becoming more and more like NDAs."

These new and more rigorous bioequivalency standards should reassure pharmacists about the safety and effectiveness of generic drugs, but they will also have an impact on the marketplace.

The cost of satisfying the new FDA generic testing requirements will have a measurable effect on the price of new generic drugs, and on the ability of some smaller manufacturers to obtain ANDAs in the future, a corporate exec at one major generic firm told *Drug Store News*.

"Under the more stringent standards it can cost $500,000 to satisfy the testing requirements for a new generic cream or ointment, and this expense is going to be a major barrier to smaller companies in the industry," she said.

The new ANDA testing ground rules may also slow down the introduction of low-cost generic competitors. Already several widely prescribed pharmaceuticals have come off patent, yet delays related to FDA's new requirements have kept generic versions off the market, industry officials say.

To offset these delays, NAPM chairman Reicher has challenged FDA to design "a more efficient approval system" to "bring safe, effective, economical generic drugs to the market as quickly as possible."

For their part, FDA officials say they are hammering out new systems to speed generic approvals, including a time-saving approach that Roger Williams, FDA generic drugs director, calls the "one-shot ANDA."

In outlining this plan at an NAPM workshop earlier this spring, Williams said the

Continued on page 24

Only **one** cold sore treatment has **sunscreens** to **protect & prevent:**

Herpecin-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Circle #035 on Reader Service Card

Circle **#010** on Reader Service Card

Generic houses in top 20 Rx volume in 1991			
Ranking	Company	No. of Rx in millions	Percentage increase over last year
2	Rugby	84	4.6%
13	Goldline	35	– 4.7
14	Geneva	34	6.2
18	Mylan	33	19.8

Generic drugs in top 20 prescription volume in 1991			
Ranking	Drug name	No of Rx in millions	Percentage increase over last year
3	Acetaminophen with codeine	20	2.9%
6	Amoxicillin	18	21.1
14	Cephalexin	14	24.7
15	Furosemide	13	6.5
17	Propoxyphene napsylate	12	12.8

Source: Walsh America-PDS.

Generics making a come back

Continued from page 22

key to streamlining the ANDA process is to get manufacturers to submit cleaner applications.

Under his "one-shot ANDA" plan, sponsors who file "high quality" generic drug applications would undergo an initial FDA review, address recommendations arising from that review, and then obtain marketing approval following a second review.

Williams is also developing a separate system to shorten the generic approval process by providing "early rejections" to sponsors who submit poorly executed ANDAs.

Instead of waiting eight to 10 months to reject a clearly unacceptable submission, the new approach would dismiss flawed ANDAs on a "first cut" basis to save time for reviewers and ANDA applicants.

Streamlining FDA's drug approval process — long a top priority among brand-name pharmaceutical manufacturers — is now an increasingly important concern for generic producers for the same reason.

With dozens of top-selling drugs due to come off patent over the next 36 months, generic manufacturers are growing increasingly sensitive to the need to bring their versions out quickly.

Indeed, some industry observers maintain that the stakes in the marketplace have risen to such a level that brand-name and generic segments are putting aside their historic rivalries to jointly market certain products.

Under this approach, a brand-name manufacturer will license a generic firm to produce its version before patent expires. In return for granting this head start, the brand name company receives a cut of the profits from future generic sales.

Both sides can benefit significantly from such an arrangement, Haddad contends. "If a strong generic company is the first to market, it stands a good chance of holding on to a significant share of that market when patent protection officially ends," he says.

But brand name firms also come out ahead because they share in those enhanced future generic profits, he explains.

"In one case I reviewed, the net advantage to the brand name company over a three year period was well over fifty million dollars."

Continued on page 30

NORTRIPTYLINE HYDROCHLORIDE CAPSULES, USP
ABBREVIATED PRODUCT INFORMATION,
INDICATIONS AND USAGE
Nortriptyline hydrochloride is indicated for the relief of symptoms of depression. Endogenous depressions are more likely to be alleviated than are other depressive states.
CONTRAINDICATIONS
The use of nortriptyline hydrochloride or other tricyclic antidepressants concurrently with a monoamine oxidase (MAO) inhibitor is contraindicated. Hyperpyretic crises, severe convulsions, and fatalities have occurred when similar tricyclic antidepressants were used in such combinations. It is advisable to have discontinued the MAO inhibitor for at least two weeks before treatment with nortriptyline is started. Patients hypersensitive to nortriptyline should not be given the drug. Cross-sensitivity between nortriptyline and other dibenzazepines is a possibility. Nortriptyline is contraindicated during the acute recovery period after myocardial infarction.
WARNINGS
Patients with cardiovascular disease should be given nortriptyline hydrochloride only under close supervision because of the tendency of the drug to produce sinus tachycardia and to prolong the conduction time. Myocardial infarction, arrhythmia, and strokes have occurred. The antihypertensive action of guanethidine and similar agents may be blocked. Because of its anticholinergic activity, nortriptyline should be used with great caution in patients who have glaucoma or a history of urinary retention. Patients with a history of seizures should be followed closely when nortriptyline is administered, inasmuch as this drug is known to lower the convulsive threshold. Great care is required if nortriptyline is given to hyperthyroid patients or to those receiving thyroid medication, since cardiac arrhythmias may develop. Nortriptyline hydrochloride may impair the mental and/or physical abilities required for the performance of hazardous tasks, such as operating machinery or driving a car; therefore, the patient should be warned accordingly. Excessive consumption of alcohol in combination with nortriptyline therapy may have a potentiating effect, which may lead to the danger of increased suicidal attempts or overdosage, especially in patients with histories of emotional disturbances or suicidal ideation. The concomitant administration of quinidine and nortriptyline may result in a significantly longer plasma half-life, higher AUC and lower clearance of nortriptyline.
Use in Pregnancy
Safe use of nortriptyline hydrochloride during pregnancy and lactation has not been established; therefore, when the drug is administered to pregnant patients, nursing mothers, or women of childbearing potential, the potential benefits must be weighed against the possible hazards. Animal reproduction studies have yielded inconclusive results.
Use in Children
This drug is not recommended for use in children, since safety and effectiveness in the pediatric age group have not been established.
PRECAUTIONS
The use of nortriptyline hydrochloride in schizophrenic patients may result in an exacerbation of the psychosis or may activate latent schizophrenic symptoms. If the drug is given to overactive or agitated patients, increased anxiety and agitation may occur. In manic-depressive patients, nortriptyline may cause symptoms of the manic phase to emerge. Administration of reserpine during therapy with a tricyclic antidepressant has been shown to produce a "stimulating" effect in some depressed patients. Troublesome patient hostility may be aroused by the use of nortriptyline. Epileptiform seizures may accompany its administration, as is true of other drugs of its class. Close supervision and careful adjustment of the dosage are required when nortriptyline is used with other anticholinergic drugs and sympathomimetic drugs. Concurrent administration of cimetidine and tricyclic antidepressants can produce clinically significant increases in the plasma concentrations of the tricyclic antidepressant. The patient should be informed that the response to alcohol may be exaggerated. When it is essential, the drug may be administered with electroconvulsive therapy, although the hazards may be increased. Discontinue the drug for several days, if possible, prior to elective surgery. The possibility of a suicidal attempt by a depressed patient remains after the initiation of treatment; in this regard, it is important that the least possible quantity of drug be dispensed at any given time. Both elevation and lowering of blood sugar levels have been reported. A case of significant hypoglycemia has been reported in a type II diabetic patient maintained on chlorpropamide (250 mg/day), after the addition of nortriptyline (125 mg/day).
ADVERSE REACTIONS
Note: Included in the following list are a few adverse reactions that have not been reported with this specific drug. However, the pharmacologic similarities among the tricyclic antidepressant drugs require that each of the reactions be considered when nortriptyline is administered.
Cardiovascular - Hypotension, hypertension, tachycardia, palpitation, myocardial infarction, arrhythmias, heart block, stroke.
Psychiatric - Confusional states (especially in the elderly) with hallucinations, disorientation, delusions; anxiety, restlessness, agitation; insomnia, panic, nightmares; hypomania; exacerbation of psychosis.
Neurologic - Numbness, tingling, paresthesias of extremities; incoordination, ataxia, tremors; peripheral neuropathy; extrapyramidal symptoms; seizures, alteration in EEG patterns; tinnitus.
Anticholinergic - Dry mouth and, rarely, associated sublingual adenitis; blurred vision, disturbance of accommodation, mydriasis; constipation, paralytic ileus; urinary retention, delayed micturition, dilation of the urinary tract.
Allergic - Skin rash, petechiae, urticaria, itching, photosensitization (avoid excessive exposure to sunlight); edema (general or of face and tongue), drug fever, cross-sensitivity with other tricyclic drugs.
Hematologic - Bone-marrow depression, including agranulocytosis; eosinophilia; purpura; thrombocytopenia.
Gastrointestinal - Nausea and vomiting, anorexia, epigastric distress, diarrhea, peculiar taste, stomatitis, abdominal cramps, black-tongue.
Endocrine - Gynecomastia in the male; breast enlargement and galactorrhea in the female; increased or decreased libido, impotence; testicular swelling; elevation or depression of blood sugar levels; syndrome of inappropriate ADH (antidiuretic hormone) secretion.
Other - Jaundice (simulating obstructive); altered liver function; weight gain or loss; perspiration; flushing; urinary frequency, nocturia; drowsiness, dizziness, weakness, fatigue; headache; parotid swelling; alopecia.
Withdrawal Symptoms - Though these are not indicative of addiction, abrupt cessation of treatment after prolonged therapy may produce nausea, headache, and malaise.
Distributed by:
SCHEIN PHARMACEUTICAL, INC
Port Washington, NY 11050
DAN-ZZI

Circle **#011** on Reader Service Card

Something new under the sun!
The only cold sore product with sunscreen
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Circle #035 on Reader Service Card

With quality issue largely settled, generics booming, say pharmacists

By James Frederick

By all indications, the storm has passed for the generic drug industry. And retailers agree.

The industry and its support among both health care professionals and consumers seems to be at an all-time high. Given the pressures among federal and state governments, private insurers, employers and consumers themselves to control health care costs with cheaper medications, the growing support for generics is almost guaranteed.

"The scandal is over," said Dan Connolly, pharmacy supervisor for the Bartell Drug Co. in Seattle. "We still have problems with supply, but our overall share of the business is actually up."

Added John Langtry, pharmaceutical buyer for Gouverneur, N.Y.-based Kinney Drugs, "I have no problem with the scandal of two years ago. Our [generic drug] sales are improving all the time." He added that generics now constitute 45 percent to 50 percent of total script volume, and predicted that the generic volume wouldn't peak until it had captured "a good two-thirds" of total scripts dispensed nationwide. Kinney promotes generics in store signing and ads.

A boom decade?

Indeed, the surviving generics manufacturers—and that's most of the big suppliers, plus a slew of younger, smaller niche players—are ripe for what many predict will be a boom decade for the generics business.

But prior to the boom, generic houses still must grapple with other problems besides the slow pace of FDA approvals. Among them: the sluggish pace of FDA approvals of ANDAs—which plummeted from about 700 in 1988 to well under 100 last year. Rampant price competition and the slow approval process have crimped profits for many generics houses and forced a few weaker players out of the business, as well.

Adequate supplies are a problem for some types of drugs at some pharmacies. According to Bartell's Connolly, the shortage is due to the lifting of some approvals on existing generic drugs by a tougher FDA in the wake of the scandals, and a partial shakeout that has cut the number of suppliers for some drug products.

Nevertheless, all these problems pale in comparison to the seeming crisis the industry weathered two years ago. More than anything, that crisis was resolved by the restoration of trust and the perception of quality in generic products among physicians, pharmacists and consumers.

"At first, our pharmacists were very cautious and reluctant to recommend generics, but most pharmacists and customers have gotten over that," said Maurice Keltsch, president and pharmacy department manager at Keltsch Bros., a drug chain in Fort Wayne, Ind. "The scandal is behind them, and the generics on the market now are generally trusted."

Keltsch said about 12 percent of his chain's total scripts are filled generically, but that share is growing.

At Lewis Drugs in Sioux Falls, S.D., generics now comprise roughly a third of all scripts filled, and their share continues to go up as third-party payers mandate substitution and more consumers request it. "Consumers will ask our pharmacists' opinion, and they're fairly trusting" of the generic recommendations, said chief pharmacist Bill Ludwig.

"There's a tremendous savings with generics—at least 50 percent and sometimes more . . . and we reinforce the fact that the [generic] drug companies we buy from are AB-rated.

Time to grow up

"I think [the industry] is coming back," Ludwig concluded, saying he feels "comfortable" with the companies Lewis buys from. "In a way, this has been a positive thing," he said. "It's been educational for all of us, and made us more aware of what companies we're dealing with. We look at things a little more carefully. So the consumer has probably benefited."

Agreed Gene Goldberg, a spokesman for the National Association of Pharmaceutical Manufacturers, a generic industry group, "The generic scandal has been the best thing that happened to the industry. It forced a growing-up."

Indeed, the question of product quality was never in doubt for some pharmacists and pharmacy directors. "I don't think bioequivalence was ever an issue," noted Connolly. "The majority of the problems were with wrong filings, paperwork, that sort of thing. Overall, pharmacists still trust generics."

As a result, he said, generic drugs now comprise "close to 40 percent of our total script volume" vs. 35 to 36 percent prior to the FDA problems.

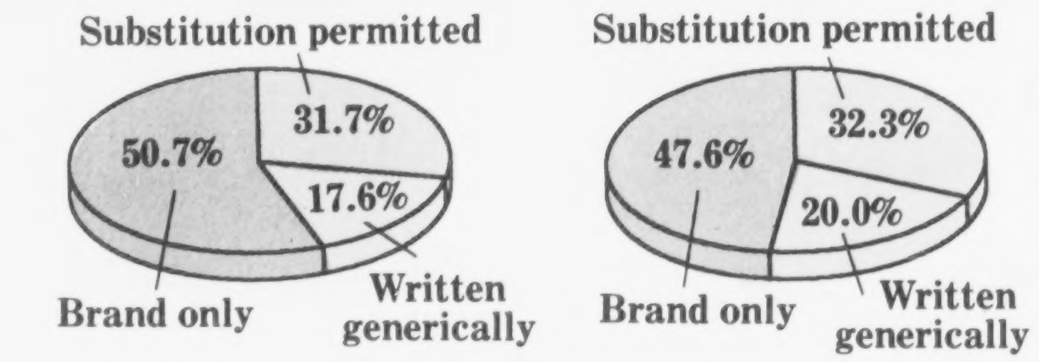
Mandates favor growth

State mandates are also working in favor of continued generic growth. New York, for instance, mandates generic substitution by pharmacists unless the prescribing physician specifies brand-only.

Paul Schiavi, pharmaceutical buyer for Perry Drug, agrees that state mandates and third-party requirements are causing strong increases in generic dispensings. Mandates aside, this Michigan chain's confidence in generics is evident in its goal of increasing generic dispensing from the current 43 percent to 50 percent. "We push generics every day," says Schiavi. "Our generic program is something we monitor, because if you lay off and relax, it's something that could slip." Generics' traditionally strong margins and low-price appeal are behind this promotional effort.

To stimulate pharmacist selection of generics, Perry's bonus plan includes a generic incentive. Working with generic companies, Perry has also done actual, direct target marketing to consumers. For example, with price-saving reminders printed on receipts, Perry increased generic birth control pill dispensing from 300 to 2,000 BCPs/cycle. Given these promotional efforts and "all the drugs coming off patent in the next few years, I'm sure we'll reach our goal," says Schiavi. ■

Generic prescribing



Pharmacists hold the key to growth of incontinence category

Increasing awareness of adult urinary incontinence and growing elderly populations present pharmacists with new counseling opportunities as they help consumers cope with bladder control problems and understand the variety of products and treatments now available. Pharmacists' credibility and knowledge of the condition will be key in ensuring that drug stores maintain their market share as the category expands.

"One of the most frequent things we hear is that people aren't getting sufficient information about incontinence from prescribing physicians and pharmacists," said Katherine Jeter, executive director of Help for Incontinent People (HIP).

For 10 years, Jeter has served as executive director of HIP, a non-profit, privately funded organization that has flourished because of the enormous demand people have for information regarding incontinence. She sometimes responds to as many as 50 letters a day from people with incontinence problems.

"The pharmacist has a lot of credibility and so far, is an untapped resource for this product," adds Andrew Simon, president of Confab Companies. Confab's manufacturing division, ICD, produces private label products for Walgreens, Eckerd, CVS and Rite Aid, and commands a 30 percent share of the incontinent market.

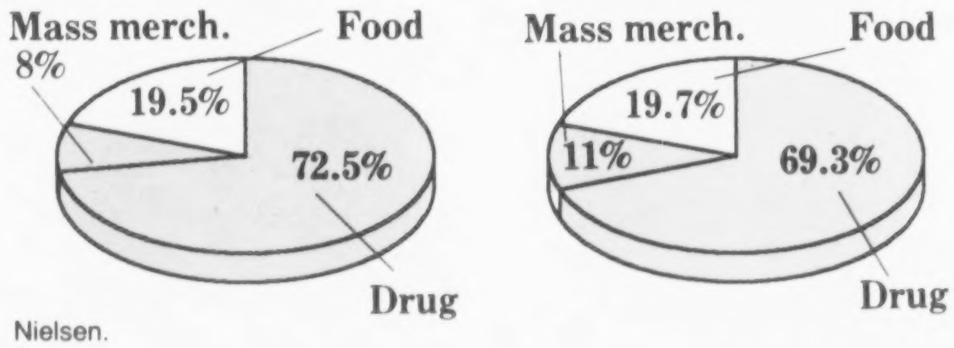
According to Simon, pharmacists give drug stores the leverage they need to prevent grocery stores from dominating incontinence products the way they took over the disposable baby diaper market.

"Drug stores are doing everything they can and they are not losing share the way some people thought they would," Simon said. "The category needs to be treated with dignity and drug stores typically do that with a large section near the pharmacy, compared to grocery stores where it might be relegated to two feet over the freezer."

At Kimberly-Clark Corp., Depend Absorbent product's manager Mary Pat O'Connor sees the same thing.

"We see drug stores losing some market share, but pharmacists have the opportunity through counseling and their relationships with patients to keep the incontinence business in drug stores," O'Connor said. "Because many people wait seven to nine years after their first incontinent episode before they see a doctor, the pharmacist is actually the first professional that patients see and they play an essential role in the treatment and management of incontinence."

Incontinent category
(Dollar sales share by class of trade)



Nielsen.

Drug stores continue to dominate the category, accounting for nearly 70 percent of total sales. But other formats, primarily mass merchandisers such as Wal-Mart, have begun to eat away at drug's share. According to Nielsen Marketing Research figures, mass merchandiser market share increased from 8 percent in 1990 to 11 percent last year. Wal-Mart has been successful with the category because it dedicates significant shelf space to the products and places them near the pharmacy where counseling is available.

Further erosion of drug store market share is expected to take place as the category continues to grow and people become more comfortable buying incontinent products at alternative formats. However, sales volume increases at drug stores are expected to be significant enough to more than offset projected market share losses.

"The same thing is happening with incontinence products that took place years ago with feminine hygiene; the stigma is disappearing," said Deborah Kirsten, a marketing manager with Medical Disposables Co., manufacturers of MaxiCare, PrimeTime, Ables and Stay-Put.

Kirsten is another who sees pharmacists playing a pivotal role in the growth of incontinent products.

"I'm not sure how brand-conscious pharmacists are, but if they are going to keep up with the needs of their customers they are going to have to be familiar with all the products that are available and their intended usage," Kirsten said.

Manufacturers agree that one of the main challenges facing the category is making sure consumers use the correct product for their condition. There are an array of products available—undergarments, shields, briefs and underpads—to treat the different types and levels of incontinence such as stress, overflow, urge and enuresis. "Point of purchase diplays are critical," according to Humanacare International president Anthony Gegelys. "If the customer has to ask for materials about a product you increase the likelihood that they won't receive the information."

Pharmacists are a focal point for information about incontinence but brochures and free samples are helpful,added Gegelys.

"The big challenge is matching a person's needs with the correct product," said George Kirk, a sales manager with Confab Companies. "Another big problem today is ignorance and the psychological reluctance to discuss an incontinence condition with anyone. Many people with a bladder control problem are very reluctant to talk about their situation even with their spouse or friends."

That reluctance is one reason companies such as Kimberly-Clark, manufacturer of market leader Depends, has taken the offensive with educational materials for both professionals and consumers. For pharmacists, the company offers a two-hour continuing education program and consumers can learn about incontinence and available products from several different brochures. Kimberly-Clark also produces a magazine called, *To Life!*, which deals exclusively with incontinence and can be obtained by calling (800) 558-6423.

Confab is also active in educating pharmacists, and frequently sends representatives to conduct seminars or meet with pharmacists and explain correct product usage.

Incontinence sales stay strong

Total sales for the category are at about $400 million annually, but could reach $1 billion by the end of the decade, according to industry estimates.

There has already been double-digit growth in the category. There were 341 million units sold in 1991, a 16 percent increase over the 293 million sold in 1990. And the 1990 figure was a 14 percent increase over the number of units sold the previous year. ■

C5150-2

The newspaper of drug store retailing

July 6, 1992

DRUG STORE NEWS®

SECOND CLASS

A Lebhar-Friedman publication

Vol. 14 No. 13

Drug chains maximize universal appeal of hair care

GALLUP '92

3-DIGIT 208
****
012445?A DR 9313 007/02185
ATTN: SRI
CONGRESSL INFO SVC
4520 E W HWY
BETHESDA MD 20814

NEWS IN BRIEF

Genovese named Retailer of Year

MELVILLE, N.Y.— Genovese has been named Retailer of the Year by the Fragrance Foundation for the second year in a row in recognition of extraordinary creativity in the fragrance industry. The award pays tribute to retailers who recognize fragrance's tremendous consumer interest and respond by expanding their stores committees to the product category 12 months a year.

Drug Barn adds vp/cfo spot

COLMA, Calif. — Drug Barn, the deep discount Bay Area drug chain, has created a new position of vp/cfo as part of its growth strategy. Jay Rothstein, formerly of Price Waterhouse, Levi Strauss and Pacific Stereo, has been appointed to the position.

The privately-held chain added two stores in 1991 for a total of seven outlets, and posted sales of more than $50 million for a 31-percent increase for the fiscal year ending in October. Rothstein's appointment coincides with the linkup of the chain's new electronic purchasing and accounting systems with its storewide POS system, which was completed in November 1991.

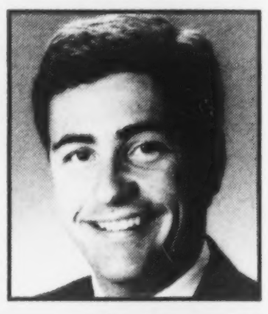
Levin: chair of job training program

WILMINGTON, Del.— Alan Levin, president and ceo of Happy Harry's Inc., has been named by Delaware Governor Michael Castle as chairperson for the Delaware Private Industry Council, Inc., an organization that provides tuition-free job training programs for youth and adults.

PayLess names Cueny

WILSONVILLE, Ore. — PayLess Drug Stores named Burke Cueny, former director of marketing for Domino's Pizza, as marketing manager.

Cueny will be responsible for advertising development and media management. Much of his focus will be on developing marketing programs designed to build pharmacy sales.



Cueny

Revco promotes audit director

TWINSBURG, Ohio — Revco D.S. has promoted Robert Bailey to the new post of director of corporate audit services, in charge of the direction and delivery of internal audit for corporate-level functions and information systems.

Bailey joined the chain in 1990 as manager of EDP audit and is a veteran of Ernst & Young. He will report to Charles Breckenridge, vp of control support services.

Medicap named in franchise award

WEST DES MOINES, Iowa — Medicap Pharmacies, Inc. was named one of the 28 "Hottest & Best Franchises to Start Now" by *Small Business Opportunities* magazine. The magazine chose its winners after researching over 5,000 franchise opportunities.

***For more* News in Brief, *see page* 8.**

IN THIS ISSUE

FEATURES

Advertising Strategies 19
Pipeline Conference 24-31
IRI Highlights 40-42
Gallup Report 45-62
Store Format of the Month ... 93

COSMETICS AND FRAGRANCES

Beauty Beat 64
Category in Motion 66-68

GENERAL MERCHANDISE

Overview 71
Picture frames, albums 72
Greeting cards 79
Photo 80-87
Trading cards 88
Hosiery 90

DEPARTMENTS

Opinion
In the Market 6
The Human Side 6
Finance 10
Midwest Report 15
Supplier News 17
People in the News 31
Product Updates 34-39
Store Manager Training 94

Drug chain sees bright future with advent of 'Vision' store

SALT LAKE CITY — American Drug Stores' new "Vision" prototype is "what drug stores used to be like before all the general merchandise got in the way," said Dave Maher, American Drug chairman, chief executive and president, but he predicted it represents "the future of drug stores," as well.

"We're introducing Vision in all our markets," said Maher. "Customers have told us it's the most beautiful store they've ever seen. . . that it's easy to shop and convenient."

American Stores stockholders toured the store via video at the company's annual meeting in mid-June. In Maher's words, the Vision prototype is anchored by four core departments: pharmacy, cosmetics/fragrances, camera/photo and greeting cards. Each is color-coded and labeled with new, bolder signing for easy identification, and up-front fixtures have been lowered to increase visibility. A nutrition department was also added.

The pharmacy area includes a larger patient waiting lounge and a closed room for private consultations. Said Maher, "Pharmacy is the core around which all the other departments must be built."

In an interview, Maher described the new format as about 3,000 square feet smaller than the company's current 17,000-foot average, "with a lot more emphasis on core drug store merchandise."

The Vision concept evolved last year in Phoenix. "We opened four stores there at one time under a new concept, then redid one of them as a true Vision store," he said. "We intend to do each store remodel now and each new store as a Vision prototype."

On another front, Maher said the drug chain hadn't yet decided what to rename the CVS stores in Southern California acquired earlier this year. "We're doing a lot of market research," he said, to determine how to position the stores, which are smaller than the Sav-on format American Drug operates in the same market.

When the new logo goes up, he added, it will probably incorporate some aspect of the Sav-on logo to tie the two formats together in the minds of local consumers.

Meanwhile, American continues to mirror the streamlining and cost-cutting efforts of its American Stores parent company. One example: the operating structure has been pared back with the elimination of five districts. "We're consolidating across the country," Maher said. "We're down to about 48 districts now."

The new logo will probably incorporate some aspect of the Sav-on logo.

American to blend Lucky and Sav-on with planned combo prototype in '93

Continued from page 3

Acme Markets division, the predecessor corporation for American Stores.

American has spent the last several years consolidating under three major store divisions: Jewel Companies (including the Jewel, Acme Markets and Star Market divisions), Lucky Stores in California and Nevada, and American Drug Stores, which operates coast to coast under the Osco and Sav-on banners.

In the process, American has downsized its store network to just under 1,500 food, drug and combo stores in 30 states. It has cut back to its best stores and markets, and concentrated on paying off debt.

Now, said Lund and other officers at the annual meeting, the company is ready to push forward with a more aggressive growth program in a bid for leadership and higher profits in its core markets, "while still continuing a modest deleveraging program," in its co-ceo's words.

"We are forecasting capital expenditures of $608 million for 1992 vs. $379 million for 1991, and our current plans call for a capital program in excess of $2 billion over the next three years," said Lund, who is gradually taking the leadership reins from soon-to-retire co-ceo and chairman Jonathan Scott. "To the best of our knowledge, this is the largest capital expenditure program of any food or drug retailer."

Lund said the funds will deliver 45 new stores around the country this year, including 30 new Osco and Sav-on drug stores, four combo stores and 11 supermarkets. "Additionally," he said, "it will fund 66 major and 106 minor remodels. These funds are being expended across all of our companies and should fuel the sales increases we need to deliver higher earnings going forward."

The cash, to be harvested from operating income and borrowings, will also fund another $150 million in new technology, on top of $68 million invested over the last three years in store and back-end automation, distribution, scanning and other improvements.

The aggressive spending program comes despite a weak economy that forced American to cut margins in many markets and boost ad expenses to maintain market share. Focusing on cost reduction, American also killed salary increases for top officers.

Those moves came on top of an extended period of downsizing for the company, which operates coast-to-coast through several subsidiaries including Osco, Sav-on, Lucky Stores, Jewel Food Stores, Acme Markets and Star Market.

"Since the start of the 1991 fiscal year, our store base has undergone significant change," said Lund in his first address to shareholders. "We have divested 145 Alpha Beta stores, a group of 59 drug stores in the Intermountain area and 74 of our Jewel Osco stores in Texas and Florida, as well as other small pockets of assets.

"The proceeds from these sales, coupled with internally generated funds, have been used to reduce debt and capital lease obligations by $830 million."

American's Oak Brook, Ill.-based American Drug Stores subsidiary was also able to secure the purchase earlier this year of 85 CVS drug and HBA stores in Southern California, allowing it to move "to the leadership position in Los Angeles under the Sav-on banner," according to Lund.

Jewel, meanwhile, has embarked on "the largest remodeling program in the history of the company," according to Jewel chairman and ceo Alan Stewart. The Acme stores in Pennsylvania, New York, New Jersey, Delaware and Maryland, for instance, are getting a complete makeover, with the addition in many cases of full-service pharmacies, scratch bakeries, service delis, staffed floral departments and seafood counters, said Stewart.

Jewel and Lucky are also consolidating administrative and other functions within their respective central offices in separate cost-saving moves, said Lund. The chains are also testing new merchandising and marketing concepts; for instance, in a bid to offset new threats from warehouse clubs, Lucky has introduced "Max-Packs," larger sizes in certain categories.

Kmart looms as headache for drug stores

IN THE MARKET
BRUCE BUCKLEY

When drug store operators talked in the past about their worst competitive nightmares, a Wal-Mart opening across the street was definitely at the top of the list. Drug retailers said that if they were put in an isolation room with no other information except a daily sales report, they could tell the moment a Wal-Mart opened nearby, so great was the dip in sales. Strategies were devised around the theme, how to survive Wal-Mart. Drug retailers prided themselves—and still do—on their ability to get past the Wal-Mart gauntlet with a minimum of welts.

The talk was always about Wal-Mart, rarely Kmart. Or if Kmart was mentioned, it was inevitably lumped in with the other mass merchandisers with pharmacy like Target—perennial place and show finishers in the race for the lucrative pharmacy/HBA market. Kmart had the pharmacy outlets, but not the powerful kinetic energy that makes for winner.

Now the dark horse bears watching. Kmart is kicking up its heels. In the past year or so, the Troy, Mich.-based discounter has been quietly building a powerhouse drug store operation under divisional vp Kevin Browett, a former Peoples pharmacy exec. Browett has put together a strong divisional team of pharmacy and front-end operations people and merchants whose objective is to carve out an increasing share of the drug store market. The objective fits in neatly with revitalized Kmart's overall strategy of becoming the destination point for a whole spectrum of customer needs.

In its attractive new prototype, Kmart has given prominent placement to pharmacy and the core drug categories. It has installed a new pharmacy computer system that gives pharmacists immediate access to patient and physician records, drug interactions, and third-party verifications. With this powerful new electronic tool, Kmart is aggressively going after third-party business.

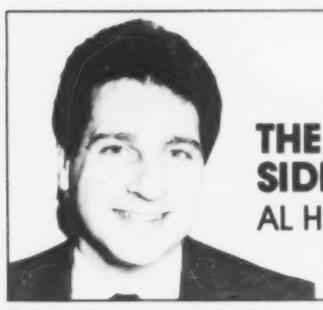
What's more, its zone-pricing ability allows Kmart to aggressively tailor its pharmacy pricing structure to individual competitive markets. And it's using satellite links to communicate directly to pharmacists and pharmacy field managers throughout the chain.

With some 1,400 pharmacies in 44 states, Kmart ranks among the top pharmacy operators in the country. By 1995 the number is expected to reach 1,800. It's clear that Kmart is taking the old Avis "We Try Harder" message to heart and is bent on putting its name next to Wal-Mart as a worst-case nightmare for drug retailers.

* * *

I'm pleased to announce that David Morocco, vp-marketing at Brooks Drug, is joining our editorial board of advisers. Dave is a pharmacist who served in the Peace Corps, working on a health project in Rio de Janiero. He was also a doctoral candidate in cultural anthropology at Brandeis. He's worked at a small chain (Thayer) as well as a large one (for the past eight years at Brooks). We think this broad background and unique perspective give him a solid basis for helping us direct our editorial efforts. Welcome, Dave.

Personalized service spikes indy's punch



THE HUMAN SIDE
AL HELLER

Inertia counts in Murray, Ky., an agricultural town of 40,000.

The stewardship of Wallis Drug, the nation's oldest drug store in a single location, has been in the hands of Jimmy Ford, D.Ph., a 56-year-old practitioner since 1977.

Not surprisingly, Ford gets plenty of customers who said their grandparents came to the store. And this pleases him. But don't think Wallis and Ford are small potatoes.

The 20 x 100-foot Wallis has deftly survived the onslaught of Wal-Mart, which drives many large chain executives to tears.

And Ford recently received the Merck Sharp & Dohme Award for Outstanding Achievement in the Profession of Pharmacy for the mere reason that he has overseen the dispensing of more than 2 million prescriptions during his 33-year career in rural America.

His volume peaked three years ago during the final year of a 180-bed nursing home contract, but he still pumps out well over $250 sales per square foot. He fills an average of 175 scripts a day, with third-party payments accounting for two out of three, way up from the "15 to 18 percent it was 10 years ago," Ford said.

This unearths the outspoken Ford: "I just gave two customers $1,000 worth of prescriptions. One got a 100-day supply of six scripts, and the other three months worth. My profit was $10.75. Insurance programs are dictating your life. And they change the nature of people, make them more conservative."

Ford, an affable big thinker in a small town, yearns for days that yielded more psychic rewards. He makes sure all his customers have his home phone number—and this has paid off for one in a big way.

A father in his late 40s had told Ford of his 7-year-old daughter's asthma attacks. Early one morning in pitch darkness, the man had the fright of his life. She wasn't breathing well and, unable to reach a doctor, the man awoke Ford. "She's dying," he said. Ford scrambled immediately, met him at the store by 6:30 a.m., and when he saw she was turning blue, administered two puffs of an OTC asthma inhalant, which opened her airways and brought her color back.

The store's success rests largely on Ford's commitment to the town. But he also plays a few angles to the hilt.

There is his selection of 100 fragrances that attracts customers from 88 miles away in Jackson, Tenn. "The department stores may have half a million dollars worth of 20 brands, but I acquire through different routes, offer more and am no more expensive. Plenty of people aren't comfortable going to the bigger cities or driving long distances," Ford says.

Fragrances account for about 20 percent of his business, the second biggest department behind pharmacy at 65 percent.

Indeed, many of his fragrance customers are students at nearby Murray State University.

More often than not, they first come in for the store's famous Orangeade, a recipe whipped up in 1958 by former owner and mentor Gingles Wallis. (The store was founded in 1838 by A.H. Wear, who was succeeded by his son H.P. Wear in 1882.) Ford developed the Zinger in 1978, another reason for people to quench their thirst here.

He has a counter and a few tables. On a slow day, he serves up 75 drinks at $1 a toss, but on a busy day, crowds gather and he can pour 500. The place is a watering hole.

Many of his drinkers are students who also buy fragrances, "because boys buy what girls like and girls buy what boys like," Ford says.

But if, while passing through Murray, you just want to see his museum—a six-foot-wide glass-encased display of pharmaceutical artifacts—Ford will be glad to have you in the store. But it'll be hard to resist an Orangeade.

DRUG STORE NEWS®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady,** ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Ranklin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Tim McAlear Pay Less Drug Stores
David Morocco Brooks Drug
Frank Newman F & M Distributors
Allan Patrick Genovese Drug Stores Inc.
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Rite Aid's first quarter net income rises 15%

SHIREMANSTOWN, Pa. — In an extremely difficult economic environment, Rite Aid Corp. still managed a 15 percent jump in net income for its first quarter ended May 30. The chain reported net income at $30.4 million compared to $26.4 million for the comparable period the previous year.

Store revenues increased 7.6 percent to $922.8 million for the first quarter ended May 30 compared to $857.5 million for the comparable period one year ago.

The thriving net income is partly attributed to a healthy 6.5 percent growth in same store sales for the 13 weeks. Rite Aid senior vp of finance Frank Bergonzi said the chain gained some expense leverage from that increase. Cost controls and reduced interest rates were also credited with keeping Rite Aid's income strong.

"We have a lot of ongoing expense control programs, such as increased automation through POS scanning, that have made our organization more efficient," he said. "The sale of shares in May 1991 also helped us to reduce debt, which drove down our interest rate, and that helped as well."

Rite Aid added 46 new drug stores during the quarter, including the 34 Wellby stores in Maine and New Hampshire that the chain acquired in May.

Same-store results hot for Perry second quarter

PONTIAC, Mich. — Perry Drug Stores continued to show impressive gains for the second quarter ended April 30, with same-store sales showing double-digit increases and earnings in record territory.

Same-store results were up 14 percent for the quarter and 12.4 percent for the first half. The reason: thriving pharmacy sales that now account for more than 50 percent of total store sales for the first time; continued improvements in former Revco stores acquired in 1990; a successful advertising image remake in the works for two years; and other factors.

The same-store gains drove overall sales up eight percent in the second quarter to $163 million, despite the fact that Perry operated 19 fewer stores than in the same period last year.

Net earnings for the second quarter were up 40 percent to $1.5 million, marking the sixth consecutive quarter of net earnings gains.

First-half net rose 60 percent to $4.1 million. Sales for the first six months rose 7.2 percent to $338 million.

Bergen's net sales increase

ORANGE, Calif. — Bergen Brunswig Corp. reported a 20 percent increase in third quarter net sales to $1.34 billion from $1.11 billion for the period ended May 13, 1992. Net earnings were $17.2 million compared with $17.1 million in the prior year.

Net earnings for continuing operations were $16.0 million compared to $16.2 million for the comparable period, while earnings from discontinued operations were $1.2 million compared to $1.0 million a year ago. Earnings from discontinued operations are those of Commtron Corp., a distributor of pre-recorded videocassettes, sold to Ingram Industries, Inc. in a sale concluded on June 19.

Net sales and other revenues from continuing operations for the nine months ended May 31, 1992 increased 16 percent to $3.7 billion compared to $3.2 billion a year ago. Net earnings were equal to $43.1 million compared to $51.2 million in the 1991 period.

According to chairman and ceo Robert E. Martini, results for the third quarter were in line with objectives despite lower price increases on pharmaceuticals and a lower gross profit margin rate than in prior year periods.

MARKET DIARY:

Largest Dollar Gainer	Penney, JC	$ 4.63
Largest Dollar Loser	Zenith Labs.	$ – 4.00
Largest Percentage Gainer	Big B	10.42%
Largest Percentage Loser	Barr Laboratories	– 32.39%

Advances	17
Declines	42
Unchanged	4
New highs	1
New lows	14

	Close 6/9/92	Close 6/23/92	Net Change	Percent Change
Drug Store News Index	4554.89	4442.37	– 112.52	– 2.47
Dow Jones Industrial Average	3369.92	3285.62	– 84.30	– 2.50
Standard & Poor's 500-Stock Index	410.06	404.04	– 6.02	– 1.47
N.Y.S.E. Composite	225.95	221.99	– 3.96	– 1.75
Value Line Index	253.46	244.20	– 9.26	– 3.65

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 6/9/92	Closing Price 6/23/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.75	4.75	0.00	0.00	19	0.00	0.00	6.88	3.47
OTC	Arbor Drugs	ARBR	18.25	19.50	1.25	6.85	20	0.12	0.62	25.25	17.50
OTC	Big B	BIGB	12.00	13.25	1.25	10.42	14	0.20	1.51	16.25	10.63
OTC	Drug Emporium	DEMP	6.00	6.00	0.00	0.00	—	0.08	1.33	9.25	5.00
NYS	Fay's Inc. (L)	FAY	7.70	7.88	0.17	2.27	18	0.20	2.54	12.09	6.59
ASE	Genovese Drug (L)	GDX.A	8.38	7.75	– 0.63	– 7.46	8	0.24	3.10	14.75	7.63
NYS	Longs Drug Stores	LDG	34.50	34.50	0.00	0.00	13	1.12	3.25	44.00	33.13
OTC	Medicine Shoppe	MSII	24.00	24.75	0.75	3.13	18	0.36	1.45	30.75	19.50
NYS	Perry Drug	PDS	9.13	9.00	– 0.13	– 1.37	12	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	20.25	20.00	– 0.25	– 1.23	14	0.52	2.60	23.75	17.25
NYS	Walgreen Co.	WAG	30.88	32.63	1.75	5.67	19	0.52	1.59	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	19.75	19.50	– 0.25	– 1.27	15	0.40	2.05	23.91	16.00
OTC	Bindley Western Ind.	BIND	15.50	14.63	– 0.88	– 5.65	8	0.04	0.27	20.75	13.50
OTC	Cardinal Distribution	CDIC	29.50	29.25	– 0.25	– 0.85	22	0.08	0.27	38.75	22.50
OTC	Durr-Fillauer	DUFM	22.00	20.75	– 1.25	– 5.68	14	0.28	1.35	32.75	17.50
NYS	FoxMeyer Corp.	FOX	13.25	12.38	– 0.88	– 6.60	12	0.28	2.26	16.63	10.75
NYS	McKesson Corp. (L)	MCK	31.63	30.63	– 1.00	– 3.16	34	1.60	5.22	40.13	30.25
ASE	Moore Medical	MMD	6.63	6.00	– 0.63	– 9.43	20	0.00	0.00	7.38	3.00
NYS	Owens & Minor	OMI	17.50	17.13	– 0.38	– 2.14	17	0.24	1.40	24.25	15.34
Manufacturer's transactions											
NYS	Abbott Labs	ABT	27.75	28.50	0.75	2.70	21	0.60	2.11	34.88	25.31
NYS	American Home Products	AHP	69.88	71.13	1.25	1.79	16	2.60	3.66	86.25	59.63
ASE	Barr Laboratories (L)	BRL	8.88	6.00	– 2.88	– 32.39	200	0.00	0.00	37.50	6.00
NYS	Baxter International	BAX	35.38	36.75	1.38	3.89	17	0.84	2.29	40.88	31.50
OTC	Block Drugs Co.	BLOCA	46.50	47.50	1.00	2.15	15	0.88	1.85	61.00	45.00
ASE	Bolar Pharmaceutical	BLR	12.63	12.00	– 0.63	– 4.95	—	0.00	0.00	14.50	3.75
NYS	Bristol-Myers Squibb (L)	BMY	64.50	66.38	1.88	2.91	16	2.76	4.16	90.13	62.00
NYS	Carter-Wallace	CAR	27.50	25.00	– 2.50	– 9.09	25	0.32	1.28	45.84	20.66
ASE	Columbia Labs (L)	COB	5.50	4.88	– 0.63	– 11.36	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	20.13	19.00	– 1.13	– 5.59	14	0.28	1.47	24.38	16.88
ASE	Forest Labs	FRX	31.75	30.88	– 0.88	– 2.76	27	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	6.75	6.63	– 0.13	– 1.85	24	0.00	0.00	9.75	4.56
NYS	ICN Pharmaceutical	ICN	11.88	10.00	– 1.88	– 15.79	10	0.00	0.00	25.38	4.88
NYS	Johnson & Johnson (L)	JNJ	45.13	44.88	– 0.25	– 0.55	20	0.92	2.05	58.69	40.88
ASE	Lee Pharmaceutical	LPH	1.50	1.38	– 0.13	– 8.33	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.88	14.88	0.00	0.00	17	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co. (L)	LLY	64.63	64.38	– 0.25	– 0.39	14	2.20	3.42	87.75	63.63
NYS	Marion Merrell Dow	MKC	32.75	32.50	– 0.25	– 0.76	15	1.00	3.08	39.00	27.25
NYS	Merck Co.	MRK	48.75	49.50	0.75	1.54	26	0.92	1.86	56.59	38.66
NYS	Mylan Labs	MYL	36.75	37.25	0.50	1.36	35	0.20	0.54	43.25	23.25
NYS	Novo-Nordisk	NVO	87.00	87.25	0.25	0.29	18	0.60	0.69	96.00	66.00
OTC	Nutramax Products	NMPC	10.25	10.00	– 0.25	– 2.44	25	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	69.63	72.25	2.63	3.77	33	1.48	2.05	87.00	55.50
NYS	Pharmaceutical Resources	PRX	5.50	4.88	– 0.63	– 11.36	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	55.38	54.00	– 1.38	– 2.48	22	0.64	1.19	69.38	41.25
NYS	Schering Plough	SGP	50.25	54.75	4.50	8.96	17	1.56	2.85	68.00	49.88
NYS	Syntex Corp. (L)	SYN	35.13	34.75	– 0.38	– 1.07	17	1.04	2.99	56.00	33.25
OTC	Taro-Vit Industries	TAROF	9.00	8.50	– 0.50	– 5.56	121	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	24.63	23.63	– 1.00	– 4.06	25	0.16	0.68	28.38	12.63
NYS	Upjohn Co. (L)	UPJ	32.88	31.88	– 1.00	– 3.04	11	1.36	4.27	47.88	31.25
NYS	Warner-Lambert (L)	WLA	60.25	59.88	– 0.38	– 0.62	49	2.04	3.41	79.25	58.38
OTC	Zenith Labs	ZENL	22.00	18.00	– 4.00	– 18.18	—	0.00	0.00	24.50	7.00
Other retailer transactions											
NYS	Albertson's	ABS	39.88	39.63	– 0.25	– 0.63	23	0.64	1.62	44.88	32.75
NYS	American Stores	ASC	34.75	34.13	– 0.63	– 1.80	11	0.68	1.99	42.50	26.00
NYS	Giant Food	GFS.A	20.75	20.50	– 0.25	– 1.20	16	0.68	3.32	29.88	19.75
NYS	Great Atlantic&Pacific Tea	GAP	31.88	28.63	– 3.25	– 10.20	15	0.80	2.79	44.88	25.00
NYS	Kmart	KM	23.25	22.50	– 0.75	– 3.23	11	0.92	4.09	27.50	19.06
NYS	Kroger (L)	KR	16.75	15.38	– 1.38	– 8.21	13	0.00	0.00	24.50	14.75
NYS	Melville Corp.	MES	44.75	44.25	– 0.50	– 1.12	14	1.48	3.34	52.00	38.25
OTC	Fred Meyer	MEYR	26.88	24.25	– 2.63	– 9.77	13	0.00	0.00	29.25	18.25
NYS	Penney, JC (H)	JCP	65.63	70.25	4.63	7.05	29	2.64	3.76	70.25	47.13
NYS	Safeway (L)	SWY	12.00	12.50	0.50	4.17	22	0.00	0.00	20.25	11.63
NYS	Smith's Food & Drug (L)	SFD	29.13	29.00	– 0.13	– 0.43	17	0.44	1.52	43.25	27.88
NYS	Wal-Mart	WMT	54.13	53.88	– 0.25	– 0.46	37	0.20	0.37	59.88	43.00

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Note: Fay's completed a 5-for-4 stock split

Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 13 July 6, 1992

Core HBA performance: drug, mass merchants

Top shampoos

(Drug stores, total U.S.)

Rank	Category—regular shampoo	Unit sales
1.	Alberto VO5 shampoo extra/body 15 ounce	517,432
2.	Pert shampoo and conditioner In One	446,833
3.	Alberto VO5 shampoo regular normal 15 ounce	440,660
4.	White Rain shampoo extra body 15 ounce	366,315
5.	Alberto VO5 shampoo regular 15 ounce	321,170
6.	Neutrogena shampoo regular 6 ounce	301,869
7.	Pert+ shampoo conditioner normal 2 ounce	298,769
8.	Neutrogena gel dandruff shampoo 4.4 ounce	290,905
9.	Suave shampoo extra/body Balsam & Protein 16 ounce	276,871
10.	Suave shampoo extra/body Moisturizing 16 ounce	276,484
11.	Suave shampoo regular normal dry 16 ounce	270,508
12.	White Rain shampoo regular 15 ounce	265,003
13.	Head and Shoulders dandruff shampoo 15 ounce	263,158
14.	Salon Selective shampoo regular 2 ounce	257,300
15.	Suave shampoo regular normal Strawberry 16 ounce	249,878

Source: Information Resources Inc., InfoScan for 1st quarter ended March 29, 1992.

Top shampoos/conditioners

(Mass merchants, total U.S.)

Rank	Category	Unit sales
1.	White Rain shampoo extra body 15 ounce	945,329
2.	White Rain shampoo regular 15 ounce	650,900
3.	White Rain shampoo apple pectin 15 ounce	609,067
4.	White Rain shampoo/conditioner extra body 11 ounce	523,923
5.	Alberto VO5 shampoo extra body 15 ounce	514,925
6.	Style shampoo regular normal apple 15 ounce	459,505
7.	Pert shampoo and conditioner in one regular	435,464
8.	Suave shampoo nourishing 16 ounce	432,573
9.	Style II shampoo moisturizing dry 15 ounce	396,157
10.	White Rain shampoo and conditioner 11 ounce	391,210
11.	Head and Shoulders dandruff shampoo 15 ounce	379,287
12.	Alberto VO5 shampoo regular 15 ounce	372,103
13.	Style III shampoo body 15 ounce	363,531
14.	Suave shampoo regular normal strawberry 16 ounce	345,135
15.	Alberto VO5 shampoo JoJoba 15 ounce	345,107

Source: Information Resources, Inc. InfoScan for 1st quarter ended March 29, 1992.

Top hair conditioners

(Drug stores, total U.S.)

Rank	Category	Unit sales
1.	Suave Hair conditioner moisturizing	324,504
2.	Alberto VO5 hair conditioner Extra Body 2 ounce	333,442
3.	Aussie 3M hair conditioner .75 ounce	332,417
4.	Suave hair conditioner extra body 16 ounce	280,841
5.	Alberto VO5 hair drs. regular normal oil 1.5 ounce	268,761
6.	St. Ives Swiss Formula 1 ounce	259,067
7.	Finesse hair conditioner extra body 2 ounce	242,896
8.	Alberto hair conditioner 15 ounce	220,944
9.	White Rain hair conditioner extra body 15 ounce	218,357
10.	Suave hair conditioner nurishing vitamin 16 ounce	211,744
11.	Salon Selective hair conditioner moisturizer 15 ounce	209,942
12.	Alberto VO5 hot oil treatment moisturizer 1 ounce	204,367
13.	Rave hair conditioner regular permed 18 ounce	187,051
14.	Salon Selective hair conditioner 15 ounce	185,084
15.	Alberto VO5 hair dressing blue gray 1.5 ounce	177,324

Source: Information Resources Inc. InfoScan for 1st quarter ended March 29, 1992.

Top hair conditioners

(Mass merchants, total U.S.)

Rank	Category	Unit sales
1.	White Rain hair conditioner extra body 15 ounce	628,908
2.	White Rain hair conditioner Apricot and Apple 15 ounce	427,827
3.	Suave hair conditioner nurishing vitamin 15 ounce	390,890
4.	White Rain hair conditioner regular 15 ounce	358,962
5.	Style I repair 16 ounce	357,197
6.	Alberto VO5 hair conditioner extra body 15 ounce	341,619
7.	Suave hair conditioner moisturizing dry 16 ounce	341,530
8.	Style hair condtioner normal fine 15 ounce	338,495
9.	Suave hair conditioner moisturizing dry 16 ounce	318,435
10.	Alberto VO5 hair conditioner repair Jojoba 15 ounce	298,593
11.	Alberto VO5 hair conditioner detangling repair 15 ounce	282,291
12.	Suave hair conditioning extra body repair 16 ounce	279,728
13.	No More Tangles hair rinse 12 ounce	273,378
14.	Rave hair conditioner regular permed 18 ounce	269,087
15.	Style I repair 16 ounce	258,138

Source: Information Resources, Inc. InfoScan for 1st quarter ended March 29, 1992.

Top hand and body lotions

(Drug stores, total U.S.)

Rank	Category	Unit sales (in millions)
1.	Vaseline Intensive Care lotion regular 10 ounce	670,435
2.	Lubriderm 1 ounce	609,118
3.	Vaseline regular 20% free	568,514
4.	Jergens lotion tube Aloe & Lanolin scented 1 ounce	514,749
5.	Ntnwf cream w/lip moisturizer regular 2 ounce	444,336
6.	Vaseline Intensive Care lotion Aloe & Lanolin reg. 12 ounce	415,610
7.	Vaseline Intensive Care lotion Aloe & Lanolin Herb. 20% free	377,360
8.	Vaseline lotion regular 10 ounce	337,642
9.	Ntnwf cream 2 ounce	311,247
10.	Vaseline Intensive Carelotion 20% free 18 ounce	300,763
11.	Jergens lotion regular 33% free 20 ounce	276,926
12.	Lubriderm lotion pump 16 ounce	265,887
13.	Vaseline Intensive Care lotion 12 ounce	247,308
14.	Jergens lotion Aloe & Lanolin regular 33% 20 ounce	223,952
15.	Lubriderm lotion plastic bottle pump scented 16 ounce	223,099

Source: Information Resources Inc. InfoScan for 1st quarter ended March 29, 1992.

Top hand and body lotions

(Merchants, total U.S.)

Rank	Category	Unit sales
1.	Vaseline Intensive Care lotion 10 ounce	716,711
2.	Vaseline Intensive Care lotion 10 ounce	520,149
3.	Vaseline Intensive Care Aloe & Lanolin 12 ounce	474,608
4.	Vaseline Intensive Care pump 20% free 18 ounce	405,407
5.	Lubriderm lotion 1 ounce	374,739
6.	Vaseline Intensive Care lotion 12 ounce	331,014
7.	Suave lotion Aloe Vera 15 ounce	280,992
8.	Jergens Dry lotion 10 ounce	267,392
9.	Jergens Dry lotion pump 33% free 20 ounce	246,127
10.	Jergens lotion plastic bottle 10 ounce	237,424
11.	Lubriderm lotion pump scented 16 ounce	224,198
12.	Ponds cream jar 6.5 ounce	220,644
13.	Suave lotion pump vitamin E and lanolin 15 ounce	219,590
14.	Melrose cream lanolin 4 ounce	208,467
15.	Vaseline Intensive Care Aloe & Lanolin 20% free 18 ounce	199,660

Source: Information Resources, Inc. InfoScan for 1st quarter ended March 29, 1992.

Core HBA performance: drug, mass merchants

Top shaving creams/gels

(Drug stores, total U.S.)

Rank	Category	Unit sales
1.	Edge Aloe Vera sensitive 7 ounce	682,119
2.	Foamy regular	583,120
3.	Barbasol regular 11 ounce	516,549
4.	Edge regular 7 ounce	390,831
5.	Edge conditioning Lanolin regular	375,930
6.	Barbasol sensitive 11 ounce	367,713
7.	Barbasol Lanolin 11 ounce	338,134
8.	Gillette Foamy sensitive reg. 11 ounce	330,011
9.	Colgate regular 11 ounce	321,460
10.	Colgate Aloe Vera regular 11 ounce	301,195
11.	Gillette Foamy Lemon-Lime 11 ounce	277,793
12.	Edge regular 7 ounce	275,133
13.	Colgate sensitive regular 11 ounce	259,482
14.	Barbasol Aloe regular 11 ounce	246,895
15.	Softs Moisturizer regular 7 ounce	242,214

Source: Information Resources Inc. InfoScan for 1st quarter ended March 29, 1992.

Top shaving creams/gels

(Mass merchants, total U.S.)

Rank	Category	Unit sales
1.	Edge Aloe Vera sensitive 7 ounce	648,595
2.	Colgate regular 11 ounce	613,334
3.	Colgate Aloe Vera regular 11 ounce	582,888
4.	Colgate sensitive regular 11 ounce	500,140
5.	Barbasol regular 11 ounce	464,021
6.	Edge conditioning Lanolin regular 7 ounce	411,793
7.	Edge regular 7 ounce	386,597
8.	Barbasol sensitive 11 ounce	362,689
9.	Barbasol lanolin 11 ounce	341,205
10.	Gillette Foamy 33% free	312,354
11.	Gillette Foamy sensitive regular 11 ounce	272,178
12.	Colgate Lime 11 ounce	270,328
13.	Edge regular 7 ounce	252,224
14.	Softs moisturizer vitamin lanolin 7 ounce	234,593
15.	Colgate lanolin 11 ounce	196,644

Source: Information Resources, Inc. InfoScan for 1st quarter ended March 29, 1992.

Top dentrifice

(Drug stores, total U.S.)

Rank	Category	Unit sales
1.	Pepsodent adult regular paste 6.4 ounce	1,047,000
2.	Crest adult regular mint gel 0.85 ounce	984,215
3.	Crest adult tartar control original paste 6.4 ounce	979,315
4.	Crest adult tartar control fresh mint gel 6.4 ounce	835,546
5.	Close Up regular toothpaste 8.2 ounce	683,334
6.	Colgate regular 7 ounce	677,291
7.	Crest adult regular paste 6.4 ounce	658,925
8.	Crest adult regular paste 0.85 ounce	653,061
9.	Crest adult tartar control regular paste 8.2 ounce	638,791
10.	Arm & Hammer Baking Soda regular paste .9 ounce	634,046
11.	Crest adult tartar control mint gel 8.2 ounce	590,789
12.	Crest adult tartar regular paste 4.6 ounce	575,927
13.	Close Up regular toothpaste 6.4 ounce	565,547
14.	Aqua Fresh adult regular paste 1.4 ounce	560,661
15.	Arm & Hammer green regular fresh gel .9 ounce	536,174
16.	Colgate regular paste tube in box 4.6 ounce	530,182
17.	Crest adult regular mint paste 6.4 ounce	509,451
18.	Colgate Tartar control regular paste 6.4 ounce	490,492
19.	Arm & Hammer dental care mint paste box 5 ounce	473,801
20.	Arm & Hammer dental care adult regular paste 4.5 ounce	471,499

Source: Information Resources, Inc. InfoScan for 1st quarter ended March 29, 1992.

Top dentrifice

(Mass merchants, total U.S.)

Rank	Category	Unit sales
1.	Crest adult tartar control original 6.4 ounce	2,308,000
2.	Crest adult tartar control fresh mint gel 6.4 ounce	2,146,000
3.	Crest adult regular paste 6.4 ounce	1,596,000
4.	Crest adult tartar control regular taste 8.2 ounce	916,015
5.	Crest adult tartar control mint gel 8.2 ounce	881,719
6.	Close Up regular toothpaste 6.4 ounce	869,112
7.	Crest adult regular mint paste 6.4 ounce	820,531
8.	Crest adult regular gel 6.4 ounce	810,932
9.	Colgate regular paste 7 ounce	652,297
10.	Pepsodent adult regular paste 6.4 ounce	648,338
11.	Aqua Fresh adult regular paste 6.4 ounce	595,488
12.	Crest adult regular mint gel 0.85 ounce	535,106
13.	Colgate adult white regular paste 9 ounce	505,264
14.	Close Up regular tartar control 6.4 ounce	500,287
15.	Crest adult regular paste 8.2 ounce	480,039
16.	Arm & Hammer dental care mint paste 5 ounce	474,183
17.	Aqua Fresh adult regular paste 1.4 ounce	460,496
18.	Arm & Hammer adult regular paste 4.5 ounce	441,748
19.	Crest adult regular paste 0.85 ounce	414,658
20.	Colgate adult white tartar control regular 8.1 ounce	402,270

Source: Information Resources, Inc. InfoScan for 1st quarter ended March 29, 1992.

Top oral antiseptics

(Drug stores, total U.S.)

Rank	Category	Unit sales
1.	Listerine Antiseptic 32 ounce	1,423,000
2.	Listerine Antiseptic 18 ounce	728,662
3.	Listerine Antiseptic regular gold 48 ounce	649,326
4.	Listerine Antiseptic 12 ounce	631,336
5.	Listerine Antiseptic 6 ounce	579,032
6.	Listerine Antiseptic 3 ounce	478,885
7.	Scope Mint green 1ct 40 ounce	458,409
8.	Plax antiseptic plaque mint 24 24 ounce	452,475
9.	Scope Peppermint blue 1.5 ounce	426,208
10.	Plax mint green 16 ounce	420,012
11.	Signal green 32 ounce	359,598
12.	Scope mint green 24 ounce	358,168
13.	Scope mint green 6 ounce	352,244
14.	Plax antiseptic plaque original red 24 ounce	334,022
15.	Plax antiseptic plaque original red 16 ounce	328,957

Source: Information Resource Inc. InfoScan for 1st quarter ended March 29, 1992.

Top oral antiseptics

(Mass merchants, total U.S.)

Rank	Category	Unit sales
1.	Listerine antiseptic 32 ounce	2,509,000
2.	Listerine antiseptic 48 ounce gold	675,828
3.	Scope mint 32 ounce green	492,144
4.	Scope mint 40 ounce green	488,477
5.	Listerine antiseptic 12 ounce	482,630
6.	Plax antiseptic plaque 16 ounce red	434,180
7.	Scope mint 1.5 ounce	414,339
8.	Plax antiseptic plaque 16 ounce red	403,396
9.	Scope mint 24 ounce green	329,005
10.	Scope mint 12 ounce green	313,335
11.	Plax antiseptic mint 24 ounce	301,497
12.	Nobrand peppermint 24 ounce	289,785
13.	Plax antiseptic original 24 ounce	255,192
14.	Listerine antiseptic 6 ounce	238,499
15.	Scope peppermint 1.5 ounce blue	202,745

Source: Information Resources, Inc. InfoScan for 1st quarter ended March 29, 1992.

Hair styling, shampoos hold universal appeal

In this issue, we focus on Part 2 of the 1992 survey: men's and women's buying habits when shopping for shampoos, hair styling and hair coloring products.

The emergence of two-in-one shampoo-conditioner products—largely driven by young consumers and males—is a prominent trend explained by the study's findings. And buyers point to this segment as a business builder, not a cannibalizer, which is a major plus in the hotly competitive toiletries business.

The drug store edge in selling toiletries is convenience, as borne out by the survey. Findings explore the varied appeals of different store formats.

Part 1 of the Gallup survey focused on skin, bath and sun care, and appeared in the June 22 issue of *Drug Store News*.

GALLUP '92

Drug stores are stronger on convenience than price

Most frequently used hair care products								
				Among consumers in these age groups				
	Total	All men	All women	18-24	25-34	35-49	50-64	65 Plus
Shampoo and conditioner	38%	20%	54%	51%	46%	38%	30%	25%
Shampoo only	37	55	20	21	34	40	40	44
2-in-1 shampoo with conditioner	20	19	21	27	19	21	23	10
Bar soap/or wash at beauty salon	5	6	5	0	0	1	6	21
Some combination of the above	95	94	95	99	99	99	93	79

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Drug stores should be very careful how they price their styling products, stay in line with competition. . . and stress the convenience of shopping their stores.

The majority of drug store shoppers, 59 percent, said they were buying hair styling products in a drug store because it was "convenient" for them to do so.

How to alter purchase routines

If one compares the findings from Gallup's 1990 Beauty Care Survey to this year's survey, it is apparent that female hair styling product users are not shopping regular drug stores as frequently as they once were.

In 1990, Gallup discovered that 16 percent of women said they bought their hair styling products "most often" in a regular drug store. This year, only 12 percent gave that answer.

More women said they were shopping for hair styling products in deep discount drug stores, up seven points to 25 percent who gave this answer in 1992 versus 1990.

And more women were buying hair styling products in beauty salons, food stores, beauty supply shops, specialty stores and department stores.

Price and broad selection are clearly factors that favor shopping in deep discount stores and beauty supply shops while the convenience of one-stop-shopping helps the food stores.

The prestige of carrying the upscale brands like Nexxus and Paul Mitchell, of course, helps the beauty salons and department and specialty stores.

To combat this trend, regular chain drug stores should be very careful how they price their styling products, stay in line with competition, stay abreast of hot new launches, create an exciting merchandising presentation and do all they can to stress the convenience of shopping their stores.

More women said they were shopping for hair styling products in deep discount drug stores, up seven points to 25 percent who gave this answer in 1992 versus 1990.

Forty-four percent of all style product users said the reason they shopped the stores they did was because it was "convenient" to their homes or offices. Thirty-six percent said it was because they offered the lowest prices in town. Fourteen percent said it was because this store offered their favorite brand exclusively or they had the best selection.

Drug stores rank high in convenience

In reporting to Gallup the reasons they shopped regular drug stores, only 23 percent of hair product styling users who were drug store customers said they shopped there because they were able to get the lowest prices.

The majority of drug store shoppers, 59 percent, said they were buying hair styling products in a drug store because it was "convenient" for them to do so.

However the customers of food stores were even more likely to cite "convenience" as the reason for their purchase.

Eight-six percent of users who bought styling products in a food store said it was because it was convenient to do so.

But food stores were at a disadvantage when it came to price and so were drug stores.

Only 11 percent of users who bought hair styling products in a food store said it was because of low prices, and only 23 percent of drug store hair styling customers have this answer.

The price advantage clearly lies with the deep discount drug chains and the discount department stores.

Sixty-five percent of users buying hair styling products in a deep discount drug store said it was because of price, and 69 percent of discount store customers also gave this answer.

Discount stores also had an advantage in terms of how their shoppers rated them in brand selection.

So it seems as if drug stores have to

work a little harder to offer their customers, as well as potential target customers, even more convenience as well as sharper prices and a stronger merchandising presentation.

More women, men seek shampoos with conditioners

Almost all Americans wash their hair with shampoo rather than bar soaps or other cleansing products. And half of all Americans condition their hair after shampooing.

This, of course, makes shampoos a high tonnage category, but in this year's Consumer Buying Habits Study, the Gallup Organization found that usage does slacken off as consumers get older.

A small number of consumers, especially women as they get older, tend to delegate the shampooing of their hair to their beauticians. It's easier and it conveys a sense of being pampered.

Six percent of consumers 50 to 64 and 21 percent of those 65 and older told Gallup they either had their hair washed in a beauty salon or they washed it themselves with a bar of soap.

But this anomaly aside, the vast majority of Americans do clean their hair with shampoos, and both women and men are starting to favor shampoos with conditioning ingredients in the same formula.

Shifts in shampoo brand preferences

	All men 1990	All men 1992	All women 1990	All women 1992
Suave	5%	7%	5%	9%
Pert Plus	5	12	5	6
Nexxus	2	2	7	6
Finesse	1	2	3	5
Flex	3	3	1	4
Salon Selectives	1	1	2	4
Prell	6	5	4	3
Vidal Sassoon	2	2	2	3
White Rain	2	2	3	3
Paul Mitchell	1	2	2	3
Head & Shoulders	13	16	4	2
Redken	1	1	3	2
Ivory	2	2	4	2
Perma Soft	1	1	3	2
Neutrogena	1	1	1	2
Alberto VO5	2	2	1	1

Base: Those who use shampoo to wash their hair.
Source: *Drug Store News*/Gallup 1992 and 1990 Consumer Survey.

Young consumers experiment with 2-in-1 shampoo brands

Not surprisingly, given the success and the popularity of two-in-one products—Pert Plus, the brand that created the two-in-one category, was one of the most popular brands in the shampoo segment. It was actually twice as popular with convenience-minded men as with women.

Twelve percent of all men who shampooed named Pert Plus as their favorite shampoo compared with just 6 percent of the women.

Pert Plus also scored very highly with young users: 15 percent of users 18 to 24 named Pert Plus as their favorite compared to 6 percent of users 50 and older.

Younger consumers, of course, are more likely to experiment with newer products and newer formulas. Older consumers, on the other hand, tend to stick with their traditional favorite brands.

Favorite brand of shampoo

	Total	All men	All women	Among consumers in these age groups: 18-24	25-34	35-49	50-64	65 Plus
Pert Plus	9%	12%	6%	15%	11%	8%	6%	7%
Head & Shoulders	9	16	2	8	9	7	9	11
Suave	8	7	9	9	6	11	6	9
Nexxus	4	2	6	7	5	4	3	1
Prell	4	5	3	2	3	2	8	6
Finesse	4	2	5	2	4	5	2	5
Flex	3	3	4	2	4	4	3	2
Salon Selectives	3	1	4	10	2	1	3	1
Vidal Sassoon	3	2	3	3	3	2	2	4
White Rain	2	2	3	5	2	2	4	0
Paul Mitchell	2	2	3	3	3	4	1	1
Alberto VO5	2	2	1	3	1	1	2	1
Redken	2	1	2	3	2	2	1	1
Ivory	2	2	2	0	2	3	1	2
Perma Soft	2	1	2	0	2	1	2	4
Neutrogena	2	1	2	2	1	2	1	0

Base: those who use shampoo to wash their hair
Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Booming 2-in-1 segment is toddler in hair care category

In this year's survey, Gallup found that the two-in-one shampoo/conditioner segment that emerged a few years ago is booming.

Twenty-one percent of the women and 19 percent of the men in this year's Gallup survey said they "most frequently use" a two-in-one shampoo/conditioner to clean their hair.

The incidence of frequent use was highest with consumers 18 to 24 (27 percent said they used a two-in-one product) and lowest among consumers 65 and older (just 10 percent used a two-in-oner).

But this is very good penetration for a category that has only started to grow through new product introductions in the past two years. Until then, Pert Plus was the only two-in-one product on the market. Its popularity literally created this category.

Many hair care buyers also believe that two-in-one products have expanded rather than cannibalized sales in the shampoo/conditioner market, and the Gallup findings bear this out.

Fifty-four percent of women in the survey told Gallup they use a shampoo and a separate conditioner. Buyers think that women who like to experiment with different types of products on their hair also tend to use separate shampoos and conditioners at home and take along two-in-one products when traveling or at the gym.

Men, as women have come to learn, are a different breed. They like things simple. For 55 percent of the men in this survey, that meant using a shampoo only. Just two out of every 10 men (20 percent) said they "most frequently" shampooed their hair and then applied a conditioner; 6 percent said they washed with a bar soap or had their hair washed in a salon.

Many hair care buyers also believe that two-in-one products have expanded rather than cannibalized sales in the shampoo/conditioner market, and the Gallup findings bear this out.

Women fickle, men loyal when choosing shampoo

Women buy shampoos very much like they buy fragrances. They experiment. They especially like to try new brands and they often mix Brand A shampoo with Brand B conditioner and Brand C hair spray.

Men also buy shampoos like they buy fragrances. But unlike women, they pick a favorite brand and stick with it.

The popularity of Head & Shoulders clearly illustrates this trend. Two percent of the women surveyed named it as their favorite brand. But it was named as the favorite brand by a whopping 16 percent of the men.

There were only four brands in this year's survey to have at least a 5 percent share of popularity with women.

Sixty-one percent of consumers named a mass brand of shampoo as their favorite compared to 9 percent who named a salon brand.

Favorite brand of hair color

	Total	Women
Clairol brands	41%	44%
L'Oréal brands	20	23
Revlon/Revlon Roux	6	6

Base: Consumers who bought hair color in the past six months.

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Women are the prime users of hair color

Percent who purchase	Total	Men	Women	Among consumers in these age groups: 18-24	25-34	35-49	50-64	65 Plus
	13%	4%	21%	7%	9%	13%	21%	14%

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Suave was the favorite of women with a 9 percent popularity share; Pert Plus and Nexxus tied with a 6 percent share; and Finesse made it into the running with a 5 percent share.

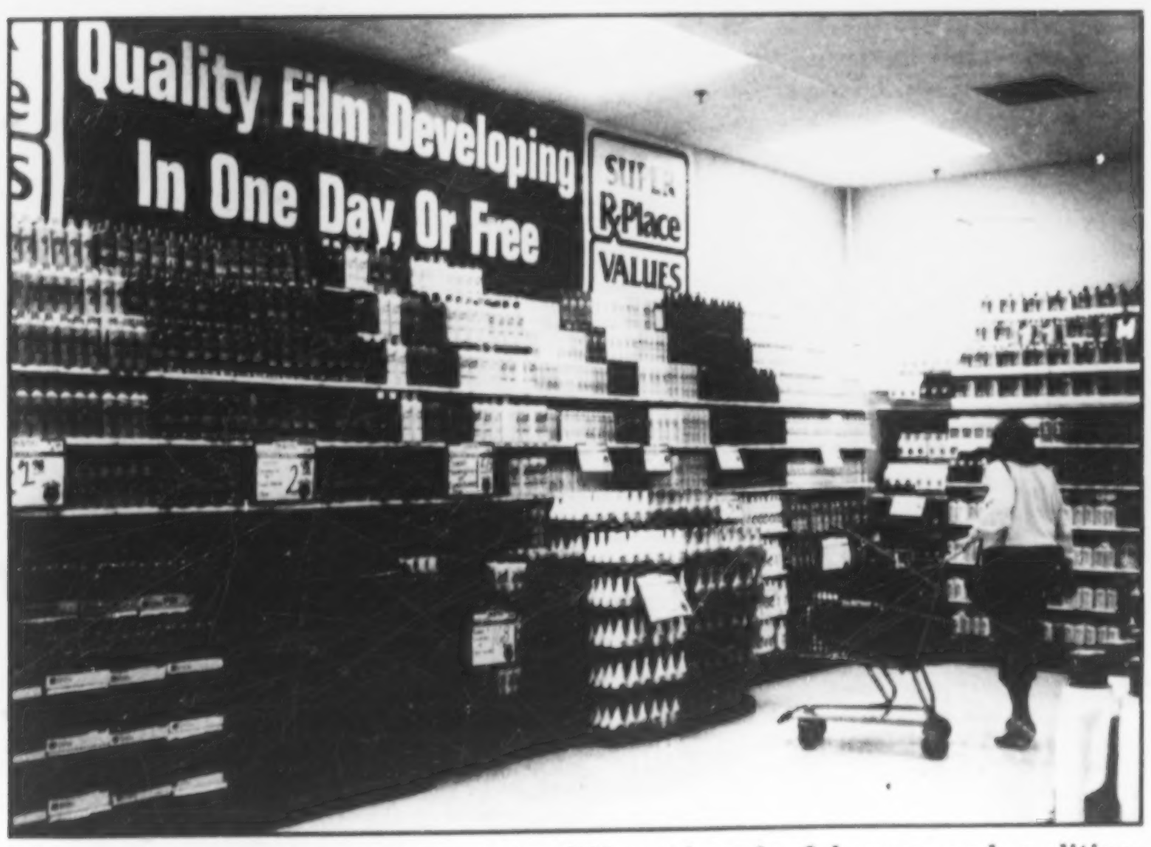
Gallup compared the brand preferences of men and women in this year's survey with the preferences noted in our 1990 Purchase Habits Survey, and we can see some interesting shifts in their buying habits.

Because of some formula and packaging changes, Flex's popularity with women was softening in the 1990 study. But this year, Flex, with a new "back to basics" campaign supporting it, has rebounded and now has a 4 percent popularity share instead of the 1 percent share it had in 1990.

Back in 1990, 5 percent of male respondents singled out Pert Plus as their favorite brand. But this year, possibly because men were particularly impressed by the high ratings Consumer Reports gave to Pert Plus in one of its issues, 12 percent of the male respondents named Pert Plus as their favorite.

Helene Curtis' Suave, which has been steadily supported with strong advertising and consumer promotions, gained four points with women to hit a peak 9 percent popularity rating this year, and Finesse, another well-supported Curtis brand, also picked up two points to reach a 5 percent share this year.

It's interesting to note that three of the eight most popular brands were from Procter & Gamble and three were from Helene Curtis.



Women like to experiment, often mixing different brands of shampoo and conditioner, while men will find a brand they like and stick to it.

Most consumers name a mass market shampoo brand as their favorite

Type of brand	Percent who use it as a favorite
Mass market	61%
Salon	9
Door-to-door	1

Base: those who used a shampoo in the past four weeks.
29% didn't know or refused to answer.

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Styling product use gains 7 percent over last year

The hair styling category is not as high in penetration as shampoos, but it is still a respectable size category.

Fifty nine percent of all consumers, men and women, use some type of styling aid. As one might expect, usage rates are higher among women than men: 80 percent of all women use a hair styling product compared to 36 percent of men.

Back in 1990 when Gallup asked women whether they used hair styling products, just 73 percent said yes, so the penetration of the category is growing.

It's also a fact that younger shoppers use styling products more liberally than the older counterparts.

Half of all consumers 65 and older and 47 percent of consumers 50 to 64 said they never used styling products compared to just 24 percent of consumers 18 to 24 who gave this answer.

It's still true that the most popular styling product is hair spray, among both men and women: 18 percent of men and 66 percent of women said they used a hair spray in the past four weeks. The heaviest users of hair spray, 47 percent, were people under 35 and the lowest users, 39 percent, were in the 65 and older bracket.

Among men, gels have really grown in popularity over the years. Sixteen percent of all men said they used a gel. Hair care buyers also report that the men they know or they themselves use gels and sprays more than other styling products, and they say it is because gels and sprays are lighter and slicker, and just make men feel more comfortable using them.

However 8 percent of the men in the survey said they had used a mousse in the past week, and they may be borrowing a dab or two from their wives and girlfriends to experiment with.

Women tend to use a greater variety of styling products, everything from gels through curl energizers, volumizers, frizz managers, shine enhancers, and more.

Many buyers believe that women need to use different products to create effects to suit different occasions: 22 percent of the women in the survey said they used gels, and 20 percent said they used a mousse.

Sixteen percent of the women surveyed had used a spritz compared to just 4 percent of the men who said they used spritzes.

Four percent of the women used curl energizers compared to less than 1 percent of men; 4 percent of women used volumizers for extra body; and 1 percent had used an anti-frizz to control fly away or frizzy hair. Men's use of these types of styling products was minimal.

The most popular styling product among men and women is hair spray.

Most consumers name a mass market styling brand as their favorite

Type of brand	Percent who use it as a favorite
Mass market	52%
Salon	13
Door-to-door	0

Base: those who used a hair styler in the past four weeks

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Salon brands win, mass brands place in styling race

When it comes to styling products, mass market brands have some tough competition for the best known salon brands, but so far virtually no competition from door-to-door brands.

Gallup found that 52 percent of styling product users named a mass brand as their favorite while 13 percent named a salon brand. No one named a door-to-door brand as their favorite.

Paul Mitchell, a salon brand, was the dominant favorite, as popular with men as with women. Seven percent of the men and 6 percent of the women said Paul Mitchell was their favorite styling brand.

As one might expect, Paul Mitchell's popularity was a little less secure with older consumers: just 3 percent of hair styling product users over 64 named Mitchell as their favorite. The two brands with the strongest popularity in this age group were Final Net and Suave, both with a 7 percent popularity ranking.

Salon Selectives had a very high ranking with consumers 18 to 24: 12 percent of product users in this age segment named Salon Selectives as their favorite styling aid.

Alberto VO5 had a following with consumers in the 50 to 64 year old age bracket: 11 percent of users this age said Alberto VO5 was the brand they used "most often."

Hair care buyers often single out both Salon Selectives and VO5 as top sellers in the styling segment. Salon Selectives has been a winner partly because of its excellent product formulations, but also because its advertising in print and TV reaches a large following of younger users, and Alberto VO5 has the strength of tradition behind it as well as careful niche advertising support.

80 percent of women use a hair styling product

Category	All consumers 1990	All consumers 1992	All men 1990	All men 1992	All women 1990	All women 1992
Hair styling products	53%	59%	33%	36%	73%	80%

Source: *Drug Store News*/Gallup 1992 and 1990 Consumer Survey.

Changes in brand preferences for hair styling products

	All women 1990	All women 1992	All men 1990	All men 1992
Hair spray	60%	66%	19%	18%
Gel	21	22	9	16
Mousse	28	20	9	8
Spritz	14	16	NA	4
Curl energizer	4	4	NA	1
Volumizer	2	4	NA	*
Anti-frizz	NA	1	NA	1

* equals 0.4 percent

Source: *Drug Store News*/Gallup 1992 and 1990 Consumer Survey.

Favorite brand of hair styling product

	Total	All Men	All Women	Among consumers in these age groups: 18-24	25-34	35-49	50-64	65 Plus
Paul Mitchell	6%	7%	6%	5%	7%	9%	5%	3%
Suave	4	3	5	2	5	5	4	7
Salon Selectives	4	1	5	12	3	3	3	1
White Rain	4	2	5	0	6	4	6	1
Rave	4	1	5	3	4	5	2	5
Nexxus	4	4	4	1	7	4	3	0
Alberto VO5	4	3	4	2	1	3	11	4
Clairol	4	4	5	2	6	6	3	2
Vidal Sassoon	3	2	3	3	5	1	2	5
Finesse	3	0	4	2	3	5	1	1
Redken	2	3	2	3	3	3	1	0
Aussie	2	2	2	6	3	2	0	0
Aqua Net	2	*	3	0	2	2	4	3
Final Net	2	1	3	0	2	1	2	7

* equals 0.4%

Base: those who use hair styling products in the past four weeks.

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Most frequently used hair styling products

	Total	All Men	All Women	Among consumers in these age groups: 18-24	25-34	35-49	50-64	65 Plus
Hair spray	43%	18%	66%	46%	48%	41%	44%	39%
Gel	19	16	22	30	23	19	14	10
Mousse	14	8	20	15	17	14	14	11
Spritz	10	4	16	17	12	11	9	2
Curl energizers	3	1	4	3	3	3	4	0
Volumizers	2	*	4	3	3	3	2	0
Anti-frizz	1	1	1	1	1	1	2	*

* equals 0.4%

Source: *Drug Store News*/Gallup 1992 Consumer Survey

Where consumers buy hair styling products

Most drug store chains have expanded their styling assortments to take advantage of the dynamic growth this category has seen over the past several years.

That strategy's paid off in the sense that 37 percent of hair style product users say they buy their products "most often" in a drug store.

But food stores and mass merchandise stores have also been expanding their product assortment aggressively, and often advertising styling products at special discounted prices, and that too has paid off.

Twenty-one percent of the consumers in this year's Gallup Beauty Care Buying Habits Survey said they bought their styling products "most often" in a food store while 13 percent said they bought them most often in a discount store or beauty salon respectively.

Considering the growing popularity of beauty and barber supply stores, or over-the-counter beauty supply stores as they are also known, a surprising small number of users, just 7 percent, said they bought their hair styling products in these outlets.

It's possible that as drug stores and mass merchandisers built up their professional hair care sets, as has been the trend the past several years, they managed to steal share away from this especially tenacious competitor.

Many ethnic hair care buyers for drug chains say that they face increasingly tough competition for ethnic hair care sales from the B & B stores. Gallup discovered in this survey that non-white hair styling product users were twice as likely to buy their styling products in B & B stores than white shoppers (14 percent versus 6 percent respectively).

Gallup also found that users over 50 tended to buy their styling products in drug stores more often than anywhere else. Sixty-two percent of all users who were over 65, for example, bought their styling products "most often" in drug stores; 43 percent of users between 50 and 64 also shopped drug stores for styling products more often than anywhere else.

However, younger consumers buy the most styling products. Gallup discovered that 35 percent of users 18 to 24 were buying hair styling products in food stores. In comparison, only 29 percent of users this age were buying "most often" in drug stores, which could be a sign that drug stores are not doing enough to attract and court this important beauty care user market.

Why store-loyal consumers shop particular type of store for hair styling products

Reasons why customers of these stores shop here	*All users	discount drug store	regular drug store	food store	discount store
Convenient to home/office	44%	29%	59%	86%	20%
Lowest prices	36	65	23	11	69
Only store with favorite brand	8	2	7	2	2
Best selection	6	5	—	2	15
Habit	3	1	8	—	5
Cosmetician helps by recommending products	2	—	—	—	—
Salon products are superior to mass	2	—	1	—	—
Service is nice	1	—	—	—	—

* equals percent of consumers who said this was the reason they shopped a store

Base: consumers who used hair styling products in the past four weeks.

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Changes in where women "most often" buy hair styling products

Trade class	All women 1990	All women 1992
Deep discount drug stores	18%	25%
Regular drug stores	16	12
Total all drug stores	35	37
Food stores	16	17
Beauty salon	12	14
Discount stores	25	14
Beauty supply stores	4	8
Department stores	3	4
Specialty cosmetic stores	2	3
Door to door	NA	1

Data for male users is not available from the 1990 study.

Base: Those who used hair styling products in the past four weeks.

Source: *Drug Store News*/Gallup 1992 and 1990 Consumer Survey.

Why consumers shop a favorite store for hair styling products

Reasons to shop	All users	All men	All women	Among consumers in these age groups: 18-24	25-34	35-49	50-64	65 Plus
Convenient to home/office	44%	48%	43%	45%	42%	42%	54%	39%
Lowest prices	36	35	37	40	35	36	34	37
Only store with favorite brand	8	5	9	10	7	9	9	5
Best selection	6	1	8	4	7	7	4	7
Habit	3	3	3	1	2	3	1	6
Cosmetician helps by recommending products	2	3	2	1	4	3	1	1
Salon products are superior to mass	2	1	3	1	2	4	3	1
Service is nice	1	1	1	1	—	—	—	3

Base: consumers who used hair styling products in the past four weeks.

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

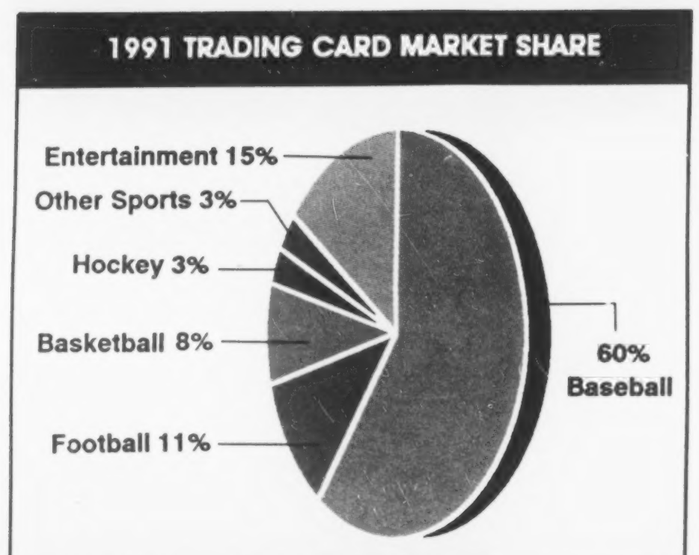
Where consumers "most often" buy hair styling products

Trade class	All users	All men	All women	Among consumers in these age groups: 18-24	25-34	35-49	50-64	65 Plus
Deep discount drug stores	24%	22%	25%	15%	22%	25%	30%	32%
Regular drug stores	12	14	12	14	12	3	13	30
Total all drug stores	37	36	37	29	34	28	43	62
Food stores	21	30	17	35	22	19	18	11
Beauty salons	13	12	14	10	15	17	12	6
Discount stores	13	9	14	12	10	16	13	12
Beauty supply stores	7	6	8	8	13	6	5	—
Department stores	4	4	4	4	3	8	4	—
Specialty cosmetic stores	2	1	3	—	2	5	1	2
Door-to-door	1	—	1	—	1	—	2	1

Base: consumers who used hair styling products in the past four weeks.

Source: *Drug Store News*/Gallup 1992 Consumer Survey.

Chains flip for trading cards



Manufacturers expect the robust growth and diversification within the trading card category to continue.

"We think there will always be a place for a company that can aggressively obtain licenses and effectively market their licenses," said George White, a spokesman for Skybox International, formerly Impel.

Timm Boyle, a spokesman for Topps, added another angle: "If you look at the incredible growth of the late 1980s, I think it is unrealistic to think that kind of incredible growth can continue throughout the 1990s. Merchandising will be the key to future growth."

Boyle recommends drug stores "concentrate on sports in season. Sports cards sell best prior to and at the start of their seasons."

To raise product visibility, manufacturers also recommend creating a collectible center stocked with a variety of cards and card collector supplies.

"Drug stores should treat cards and supplies as a package," said Jack Mayes, president of Cardboard Gold, a card supplies manufacturer, "because they bring in kids with their moms and dads who buy other products."

According to Mayes, the increasing value of cards has created a strong demand for card-related supplies that collectors can use to preserve their investments.

"Entertainment or non-sports cards accounted for more than half of the category's growth last year," said Skybox's White. But they generally have a shorter shelf than sports cards.

"There is just so much out there that it is confusing," said Walgreen assistant buyer Mark DeFilippo. "The whole industry has gotten away from kids to where now it is skewed toward adult collectors."

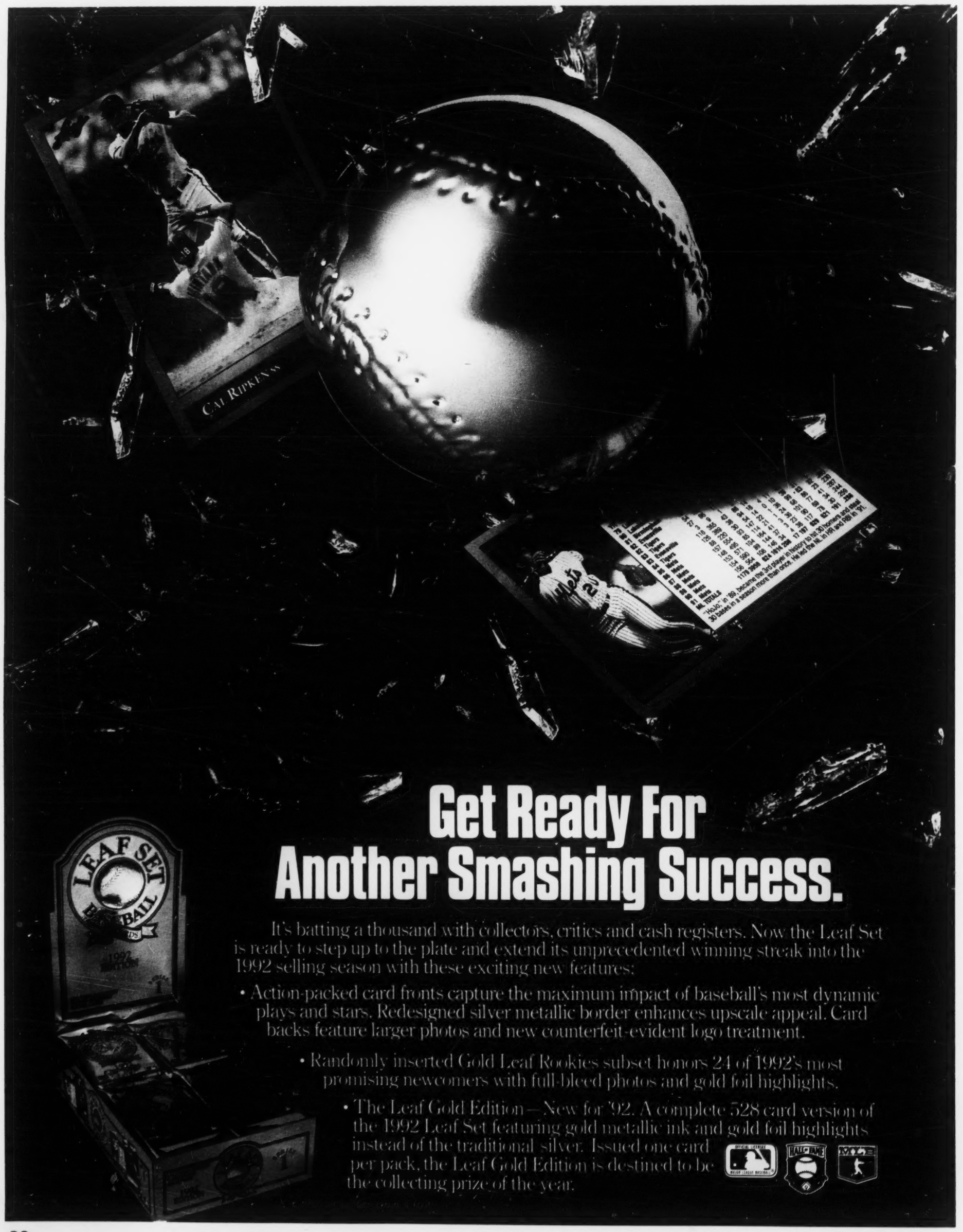
DeFilippo said most of the time he doesn't buy non-sports cards unless the card's theme is expected to be hot--such as the new Batman movie.

"There is no resale value with novelty or non-sports cards," DeFilippo said. "Kids are smart enough nowadays to know the value of a dollar, and they will spend their dollar for a pack of sports cards that might contain one card that will be worth $10 next week."

Walgreens store managers determine how to manage the category-- and usually give three to four feet on the bottom shelf in the candy section, DeFilippo said.

At Phar-Mor, more trading card activity may occur this fall, but "we really haven't done much because of theft concerns. We aren't real big into small ticket items like that," said buyer Bill Brock.

To avoid pack searching, a problem cited by Ed Ford, president of the National Association of Sportscard Dealers and Manufacturers, some stores put the pricier cards behind display cases. "People go through a pack and look for special cards, and render the entire pack unsellable," he said.


Get Ready For
Another Smashing Success.
It's batting a thousand with collectors, critics and cash registers. Now the Leaf Set is ready to step up to the plate and extend its unprecedented winning streak into the 1992 selling season with these exciting new features:
• Action-packed card fronts capture the maximum impact of baseball's most dynamic plays and stars. Redesigned silver metallic border enhances upscale appeal. Card backs feature larger photos and new counterfeit-evident logo treatment.
• Randomly inserted Gold Leaf Rookies subset honors 24 of 1992's most promising newcomers with full-bleed photos and gold foil highlights.
• The Leaf Gold Edition—New for '92. A complete 528 card version of the 1992 Leaf Set featuring gold metallic ink and gold foil highlights instead of the traditional silver. Issued one card per pack, the Leaf Gold Edition is destined to be the collecting prize of the year.
LEAF SET
1992 Edition

POSITIONS WANTED

Dist-Terr Mgr - based in Cinti, OH with strong HBA, consumer products, general merchandise, broker mgr experience & calls on all classes of trade including key accounts in OH, KY, IN & W. VA. looking for a sales opportunity. (513) 489-5282

The newspaper of chain drug retailing

July 27, 1992

DRUG STORE NEWS

SECOND CLASS

Vol. 14 No. 14

A Lebhar-Friedman publication

C5150-2

Drug Emporium restructures, sees upturn

By James Frederick

COLUMBUS, Ohio — Drug Emporium ceo Gary Wilber told a gathering of restive shareholders that the company had done the spadework for a return to profitability, perhaps as early as the second half of this year. But he warned that the chain continues to swim upriver against anemic consumer demand brought on by the sluggish economic recovery.

Weaker consumer spending, intense competition and adjustments in gross margins all combined to pull Drug Emporium into the red in the last fiscal year, with net losses of $4.7 million. The losses continued to stack up through the first three months of this year, with first-quarter losses totaling $710,000 and same-store sales down 2 percent.

At Drug Emporium's annual meeting here June 26, Wilber and other executives faced a roomful of stockholders—a few of whom expressed general dissatisfaction with the recent trends—and gave their most detailed explanation yet of the chain's response to the downturn. The company has centralized and consolidated its buying, marketing and accounting functions and restructured field management in a bid to alter the way it's done business since its inception in 1977.

Drug Emporium's new centralized buying and inventory control systems have improved in-stock levels and turns at this store in Columbus' Carriage Place shopping center.

The changes, Wilber said, are essential. "We have undergone a great deal of change in the last few months," he told shareholders. "We believe the historical formula for our success in the past is not effective in the increasingly competitive environment of today."

That formula relied on decentralized, local buying and merchandising by store managers and store department heads. The decentralization theme also played out in the chain's regional field structure, with operations formerly chopped up into 12 distinct regions, each with its own accounting and marketing department.

"What we discovered is we had about 400 people out there buying in the stores," said chain president Bob Lyons. He ticked off a list of priorities to get Drug Emporium back on sound financial footing, some of which have already been accomplished. Among them:

- Boost sales volume, and in particular boost turns. Drug Emporium's inventory turn-

See **Drug Emporium** *page 25*

Duane Reade makes its mark in a tough town

Duane Reade is slated to be sold to Boston-based Bain Capital, Inc., an investment firm with a history of adding retail operations, including Staples Inc. and Sports Authority Inc., to its portfolio.

Bain provided the economic boost some of its acquisitions needed to expand nationwide. It's brought half of its purchases to successful public offerings, something that may interest Duane Reade, since the chain's efforts to go public in 1984 were aborted. Bain Capital's ownership of consulting firm Bain & Co., known for its strategic planning prowess, adds to its attractiveness as an owner.

News Analysis

By Elizabeth Parks

NEW YORK — People who have never visited Duane Reade may wonder why Bain Capital would pay what some sources say is close to $300 million for the 38-store chain.

Duane Reade is not Walgreens or Eckerd. It would be hard to duplicate its operational formula on a national basis. It is not a chain for the suburbs or even for inner cities.

See **Duane Reade** *page 25*

Nielsen highlights 6
Snacks ring up crisp sales 14
Candy stays sweet for chains 16

Industry changes, alliances focus of jazzy NACDS show

By Barbara White

NEW ORLEANS — The NACDS Marketplace Conference wasn't business as usual for its 3,000 attendees.

The show's focus was on industry changes, and those changes were evident in every aspect of the show—from conversations on the show floor to opening remarks made by speakers.

True to the show's theme, "Alliances. . .Today's Reality," retailers and manufacturers alike said they have already formed solid partnerships to change the way they do business.

Many said they've come to realize that a joint effort to problem solving can shave time and money from costs buried in the pipeline.

While retailers were quick to praise the changes that good alliances have brought about, they're not so happy about the changes they fear might spring from Procter & Gamble's everyday low pricing strategy. The resentment raised by this strategy may serve to undercut the broader notion of partnerships.

In keeping with the show theme retailers and manufacturers said they have formed partnerships to change the way they do business.

Some retailers are still in the dark on the impact EDLP will have on their businesses. The hopeful are waiting until they see how programs translate to their everyday business practices.

Others aren't so kind. Traditional drug chains resent a strategy they feel will cost them their promotional edge.

While retailers didn't want to be quoted directly on the issue, their emotions run high.

Said one angry drug chain vp: "The way the strategy is being carried out is a concern to me. Indirectly, the retail price is set for you and I don't like that."

Retailers are convinced

See **NACDS** *page 21*

More NACDS pics on pg. 8 & 11

NEWS IN BRIEF

Rite Aid script issue goes public

SHIREMANSTOWN, Pa. — Rite Aid took its complaints about the Maine state employee prescription program public with a press conference in June.

Rite Aid officials called the program, administered by Medco Containment Services, Inc., unfair to consumers and local pharmacies and proposed a new system that would allow local pharmacies to fill state employees' prescriptions at no extra cost to the state.

Neuman names Sappia president

RIDGEFIELD, N.J.—Alfred Sappia has been named president of Neuman Wholesale Drug Company. Sappia, previously executive vp of Neuman, will have total operational responsibility for the wholesale company and will report directly to Samuel Toscano, Jr., Neuman Wholesale's chairman and ceo.

Toscano will no longer be involved in the wholesale company's day-to-day operational activities and will concentrate on financial matters.

Neuman is a full service wholesaler providing pharmacetical, OTC and HBA products to nearly 900 independents, small chains and institutioal pharmacies in the New Jersey, Connecticut, Rhode Island, greater metro New York area and four Pennsylvania markets.

New Revco Rx post created

TWINSBURG, Ohio — Revco D.S. has named outsider Gerald Chalfin to the new position of vp of managed care, effective July 20.

Chalfin, 50, effectively replaces former vp of third-party operations Bob Mandelbaum, who left the company in late June, but his duties are broader in scope. At Revco, he will have complete charge of third-party sales and administration, managed-cash prescription programs and the chain's mail-order prescription business. He will report to D. Dwayne Hoven, executive vp of marketing and stores.

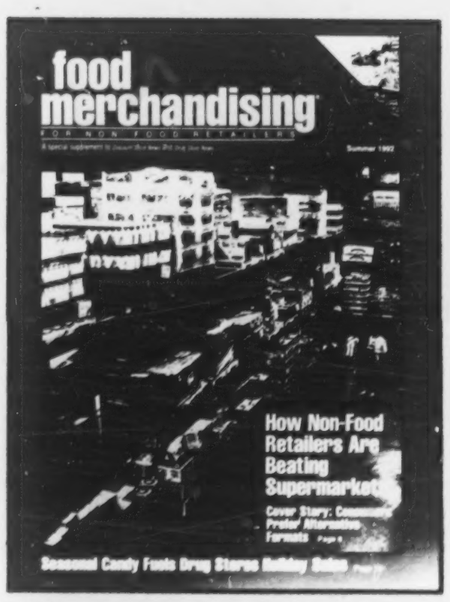
Finast adds another combo

PARMA, Ohio — First National Supermarkets of Ohio unveiled its largest and most service-oriented Finast Superstore to date in this Cleveland suburb June 28. The massive, 90,000-square-foot store features a full-service pharmacy, an in-store bank, a flower shop with walk-through cooler, a variety of fresh-prepared food departments and the area's largest juice bar.

Also featured is a "Big Deals" department, which brings together value-oriented items including multi-packs, large sizes and generic products.

The store brings to 15 the number of Finast Superstores operated by the chain in Ohio, as well as 20 standard Finast supermarkets, 5 Pic 'n Pay stores and one Vic's food store. First National also operates food stores in Connecticut.

IN THIS ISSUE



***FM* will appear after pg. 14. If your issue does not have a copy of this regional insert, you may obtain one by calling customer service at (813) 664-6707.**

FEATURES

Nielsen Highlights: Hand and Body Lotions 6
NACDS Trade Show: People in the News 8-11
Japan: International Retailing ... 24

COSMETICS AND FRAGRANCES

Beauty Beat 22
Category in Motion 23

GENERAL MERCHANDISE

Consumables: Snacks and Candy 14-16

DEPARTMENTS

Opinion 4
In the Market 4
Washington Perspective 4
Product Updates 17-18
Ads and Promos 21
Finance 26

Ownership issue resolved for LaVerdiere brothers

WINSLOW, Maine — The LaVerdiere brothers have reached an ownership agreement that will allow the Maine-based drug chain to stay out of court and concentrate on fending off national competitors.

In a prepared statement announcing the agreement, Stephen LaVerdiere said brothers Michael and Jeffrey will sell their ownership interest for an undisclosed sum of cash, notes and real estate and submit their resignations. Stephen will remain president and ceo.

The agreement was the result of intense negotiations with all parties realizing the need to resolve their differences quickly and amicably in order to avoid any disruption of the corporation business, Stephen said. The agreement was reached in mid-May after Michael and Jeffrey filed a court complaint alleging their older brother and the board of directors were trying to remove them on unacceptable terms.

"I am very pleased that we were able to work out an agreement that accommodated everyone's interest and permits the company to maintain its independence under existing management," Stephen said.

The elder LaVerdiere would not comment on specifics of the agreement or the privately held retailer's expansion plans. Although the 67-store chain faces competition from several national chains and Wal-Mart is expanding into the northeast, Stephen said the company is well positioned for continued success.

Bergen bids against Cardinal Dist. in contest over Durr-Fillauer

ORANGE, Calif. — Bergen Brunswig has tendered a hostile takeover bid for Durr-Fillauer Medical after Cardinal Distribution entered into a definitive agreement to acquire the Montgomery, Ala.-based distributor in a stock-swap merger.

Bergen tendered a cash offer on July 7 and emphasized Durr's legal obligation to consider its belated offer. According to Bergen chairman Robert E. Martini, the wholesaler was not invited to bid despite a decade of expressed interest.

The agreement between Durr and Dublin, Ohio-based Cardinal Distribution provides for a tax-free or tax-deferred pro rata spin-off followed by the acquisition by Cardinal of Durr-Fillauer's drug distribution business. Durr would reorganize to spin off its medical supply division in this arrangement. Cardinal values its offer at between $166.5 and $181.5 million.

Bergen's two-stage cash offer is for the entire Durr-Fillauer operation and does not involve a spin-off. The offer of $26 per share for Durr's approximately 12 million shares of common stock is valued by Bergen at $365 million, including assumption of debt and other costs. On July 8, the day after Bergen tendered its offer, Durr-Fillauer closed at 27 1/5 (NASDAQ).

Cardinal's cfo David Bearman emphasized that the two offers differ substantially. "Bergen has offered $26 per share for the entire corporation, while ours is just for the distribution [unit]," Bearman told *Drug Store News*.

He noted that Durr has a legal obligation to respond to Bergen's tender within 10 business days, or around July 22. The definitive agreement is still in effect, and by the terms of the agreement, if Durr backs out, Cardinal will be paid a 3 percent breakup fee plus expenses, according to Bearman.

Analyst John R. Golisch of the Los Angeles office of Arthur Andersen told *Drug Store News* he thinks Bergen could come out on top. "I think they have a good possibility. Bergen is a very well run company, so it's a tremendous opportunity for Durr." Golisch observes that the bidding war is likely to result in a proxy fight. Although Durr-Fillauer management declined to comment on the situation, it's likely that a management issue in this decision would be the outcome of Durr-Fillauer's autonomy.

Said Bergen's vp of corporate affairs John T. Fay: "We don't have a definitive reaction from Durr except that they've said the board will study it." He added that, "from our end we don't see this as a hostile offer, considering the history of the two firms. If the deal is right they will proceed."

Bergen Brunswig reported revenue of $4.8 billion for fiscal 1991 and anticipates around $5 billion when it closes its books on August 31 of this year. Cardinal Distribution reported sales of $1.184 billion for 1991, while Durr-Fillauer's 1991 revenue was around $1 billion, or $700 million in its drug distribution business and around $300 million in its medical/surgical unit.

PayLess cuts final deal for Pay 'n Save

WILSONVILLE, Ore. — Pay 'n Save will change ownership from L.A.-based Thrifty Corp. to PayLess Drug by the end of this month, according to David Jessick, senior vp of finance and cfo for PayLess.

Jessick told *Drug Store News* that no regulatory requirements stand in the way of a July 26 closing and noted "there are few things that could cause it not to take place."

No purchase price was disclosed for the 124-store Seattle-based Pay 'n Save chain, which had sales of around $547 million in 1991. Its new parent company PayLess, a wholly-owned subsidiary of Kmart, will expand from 419 to 543 stores when the deal closes.

As previously announced, PayLess intends to operate Pay 'n Save as PayLess stores, but the changeover will occur after the fall of 1992. "In part this will hinge on the fact that they've already got advertising in place into fall," Jessick explained.

Eventual conversion is likely to occur by geographic groupings in Alaska, Hawaii, eastern Washington and the Seattle area. There will be around five store closings where PayLess and Pay 'n Save operate in the same market, according to Jessick.

Since the acquisition is an asset purchase, Pay 'n Save top management is not part of the deal. "We will probably have some of their people work for us but it's too early on to say for sure," said Jessick, who noted that store management and staff will remain.

PayLess doesn't anticipate major merchandising changes in its Pay 'n Save stores since the two chains run similar operations. The strategy is to avoid disrupting business, and the ownership change will be invisible to customers until the name change occurs.

"We want the transition, to being our customers, to be very easy for them," said Jessick. "Once we've got our programs in place and are well stocked, then we'll make that announcement."

OBRA '90 clock running out on pharmacy

IN THE MARKET
BRUCE BUCKLEY

Retail pharmacy is being asked by the federal government to perform the equivalent of Mission Impossible.

At issue is how to comply with the drug utilization review requirements of the Omnibus Budget Reconciliation Act of 1990, which has become better known by its nickname OBRA '90.

The law says that pharmacies must perform prospective DUR (or "Pro-DUR") for patients covered by Medicaid in order to be eligible to take part in the program. It has set January 1, 1993 as the deadline for the individual states to establish a DUR program.

The Mission Impossible aspect of the scenario is that the government still has not published the regulations that the states need to conform to the law.

NACDS president Ron Ziegler and others have been sending urgent wake-up messages to the federal government in an effort to move this crucial issue off dead center. In his most recent, and most urgent, letter to Louis M. Sullivan, secretary of the Department of Health and Human Services, Ziegler rings the wake-up bell loudly:

"I am very concerned," he writes in a letter dated June 25, "that many states and, by implication, many of our members may not be able to meet this statutory deadline and may thus be determined not to be an eligible Medicaid Pharmacy Provider."

The issues here are extremely complex and difficult. OBRA '90 requires pharmacists to perform prospective DUR for Medicaid patients over a wide range of components, including duplicate therapy, drug-disease contraindications, drug-drug interactions (including OTCs), duration of treatment, dosage checking, drug allergy interactions and clinical abuse.

The software used currently by most pharmacies covers only a portion of these checkpoints, such as drug-drug and drug-allergy. Thus, in order to comply with the regulations, the software programs need to be upgraded.

The daunting task faced by chains in attempting to comply with the deadline is outlined in another letter sent last March by Mark Stalzer, vp-quality assurance and documentation for PDX Inc., to Tom Fulda of the Office of Medicaid Management:

Even after programming for the DUR requirements has been completed, he notes, "installation of software for chains can take six months or more from the time they receive it in their headquarters. New documentation must be written, pharmacists and help desks must be trained, and software must be distributed and installed into the stores."

The timetable is creating a potential nightmare for chains and independents, who face the possibility that they may lose their Medicaid provider status.

If the DUR is not performed electronically, the law still requires individual pharmacists to comply manually. This would mean, Stalzer points out, that pharmacists would have to verify the prescription "against three different compendia. I feel that manual checking of DUR at the level required by OBRA is impossible in a retail pharmacy." Retail pharmacists are just too busy to do this, he notes.

Feds sweep down on unethical pharmacists

WASHINGTON PERSPECTIVE
KEN RANKIN

July was a bad month for America's most trusted profession.

Federal agents raided pharmacies in 50 cities as part of a massive crackdown on Medicaid fraud and drug diversion nationwide.

Of the more than 100 arrests made during the initial phase of "Operation Gold Pill," 82 were pharmacists and most of the rest were non-R.Ph. pharmacy owners.

Millions of dollars worth of drugs were obtained through fraudulent prescriptions, sold at 10 cents on the dollar to street corner diverters, repurchased by "unethical pharmacists," and then sold again to the public at full price.

In the process, many of the diverted drugs were mishandled, stored at high temperatures, and otherwise rendered subpotent if not downright dangerous.

In addition to these illegal diversion activities, federal agents uncovered evidence of widespread Medicaid billing fraud by pharmacists.

Among other things the pharmacy owners were charged with were filling Medicaid scripts with generic drugs but charging brand name prices, billing Medicaid for the same prescription multiple times, and filing claims for prescriptions that were never filled.

Government investigators also uncovered more subtle forms of third-party fraud, such as prescription splitting by pharmacists to double their professional fees.

Practitioners of this scam dispensed only part of the prescription, "causing patients to return at a later date to get the rest of their medications," federal officials explained. "By splitting the prescription, the pharmacist is paid two dispensing fees instead of the one he normally receives."

As reprehensible as these activities are, HHS Secretary Louis Sullivan took pains to put them in perspective.

Pharmacists and other "medical professionals who would engage in such activities represent only a tiny fraction of the honest, dedicated and caring men and women in the health professions in America," he said.

Officials at APhA struck a similar chord, stressing that "only an extremely small fraction of the 65,000 pharmacies and 166,000 pharmacists in the U.S. are involved in this type of activity."

In pledging to "cooperate fully" with the government's Gold Pill investigators, APhA executive vp John Gans said it is "absolutely essential to good patient care" for pharmacists to maintain the public's trust.

APhA's response was right on target, and the concerns expressed by Gans are well founded.

At this point it's not clear whether the public's faith in pharmacy practitioners has been measurably shaken.

If Operation Gold Pill were merely a one-shot episode, it would pose little long term injury to the public's perception of pharmacists.

But according to FBI director William Sessions, this summer's crackdown on drug diversion and Medicaid fraud by pharmacists is "the first phase" of a much larger Operation Gold Pill directed against those who "fraudulently siphon money from the health care system and prey on others without regard for the health risks or financial problems they cause."

For the next year at least, a government spotlight will be focused on community pharmacy. Whether pharmacists retain their status as the nation's most trusted profession will depend in large part on the leadership shown by pharmacy leaders in the coming months.

DRUG STORE NEWS®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.**
(Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Maiver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619.
(813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Kevin Mann Rite Aid Corp.
Tim McAlear Pay Less Drug Stores
David Morocco Brooks Drug
Frank Newman F & M Distributors
Allan Patrick Genovese Drug Stores Inc.
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

NIELSEN HIGHLIGHTS

hand and body lotion

Marketing highlights

This category had all outlet sales of $431 million during the 52 weeks ending March 16, 1991 (up 5 percent against 1990). Unit sales of 183 million were down 2 percent from last year. The average price reported by consumers was $2.36 per unit, an increase of 7 percent from 1990. (Units are the total number of items purchased, not equivalized).

Household penetration declined by 2.2 points to 54.6 percent of the 94.7 million U.S. households. Each of the 51.7 million households purchasing the category this year spent an average of $8.33. They purchased the category at a rate of 2.8 times during the year, buying on average, 1.3 units on each occasion.

Consumers reported using coupons with 18 percent of their purchases (down 5 points from last year), and 28 percent of the units were bought on some type of retailer promotion (down 4 points).

Trade channels share of all outlet unit sales

Trade channel	Percentage share of sales	Unit/buyer	Penetration
Supermarkets	38%	2.7	27%
Convenience stores	1	2.0	1
Warehouse club	2	1.9	2
Other food	4	2.0	4
Drug store	23	2.4	19
Mass merchandiser	30	2.6	22
Other non-food	3	2.1	3

Source: Based on 21,200 actual 1991 purchase transaction.

Consumer characteristics

Purchase Dynamics	1990	1991	Change
Household penetration	56.8%	54.6%	−2.2 pts
Purchase occasions (annual)	2.8	2.8	−1.1%
Units per purchase	1.2	1.3	1.8%
Dollars per purchase	$2.75	$3.00	9.1%
One-time buyers	34%	35%	1 pt
Male primary purchase	19%	20%	1 pt

1991 Buyer characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	53%	63%	62%
Households with children <13	28	55	29	29
Households with any teenagers	14	65	16	18
White households	86	52	82	75
Black households	11	74	16	22
Hispanic households	6	62	7	7
Metro (A and B counties)	72	55	72	73
Households with cable	59	55	60	61

Lifestage group share of all outlet unit sales

Lifestage groups	Percentage share of sales	Index	Avg. price	Penetration
Young singles	5%	92	$2.50	54%
Young couples/ no children	4	74	2.33	51
New families	7	84	2.27	49
Maturing families	23	108	2.27	57
Established families	10	135	2.27	66
Mid-age singles	7	93	2.39	45
Mid-age couples no children	10	100	2.72	58
Empty nesters	26	112	2.35	58
Older singles	10	75	2.56	46

Geographic region share of all outlet unit sales

Geographic region	Percentage share of sales	Index	Avg. price	Penetration
Northeast	18%	83	$2.42	48%
East Central	15	111	2.22	57
West Central	16	99	2.39	55
South	34	113	2.19	58
Pacific	16	91	2.79	55

Source: Based on 42,500 actual purchase transactions.

Other definitions

1. Index: 100 equals average household buying level.
2. Penetration: Percentage of households purchasing at least once during measured period.
3. Price: Average price paid.
4. Unit/buyer: Units purchased by household during measurement period.

Source: Nielsen Marketing Research, NPD/Nielsen Inc.

Lifestage groups: What they mean

Young singles: Single-member households. Ages 18-34.
Young couples: No children. Age range 18-44.
New families: Couples with children under 6.
Maturing families: Couples with children under 12.
Established families: Couples with teen-age children.
Middle-age singles: Single-member households. Ages 35-54.
Middle-age couples: No children. Ages 35-54.
Empty-nesters: Two-plus-member households. Ages 55 or older.
Older singles: Single-member households. Ages 55 or older.

Snacks ring up crisp sales in drug chains

Snacks fill consumers' hunger for nibbles-to-go. As new flavors, healthful packs and new sizes expand the market, drug chains juggle display space to offer the broadest possible variety.

Snack foods keep on crunching steady gains despite the stale economy.

At drug chains, the recipe for its share of the $13.4 billion snack food business (total U.S.) calls for a big dollop of impulse display, a dash of small servings and a varied menu with selections for health-minded snackers.

Consumers are increasingly tempted by rock-bottom deals found in warehouse clubs and mass merchandisers. These trade classes helped push the snack category to a 6.5 percent gain in pound volume, but just a 5.6 percent dollar climb in 1991 over 1990, according to the Snack Food Association's latest state-of-the-industry report.

Against such discount retailers, many drug chains attract snack consumers through convenience and assortment, along with promotions to highlight value.

How value is conveyed is changing, largely in response to other trade competition. For example, PayLess Drug is attempting to do more snack business through in-store display. Says Andy Vietch, snack buyer for PayLess: "Because of the cost of advertising, our major goal is to do more business with name brand products like Frito-Lay or Eagle and to do it at good everyday low prices." "We shouldn't look to advertising as our only answer to volume," he adds.

Snack picks

Nationally, potato chips still lead the snack category in dollars at $4.3 billion in 1991 (that's 6.29 pounds per capita) for a dollar increase of 1.1 percent over 1990, according to the Snack Food Association. Tortilla chips hold second place with $2.5 billion and a 4.5 percent increase, advanced by Eagle Snacks' tortilla chip rollout in 1991.

At Troy, Mich.-based Arbor Drugs, "anything in multigrain" makes this segment hot, says chairman and ceo Eugene Applebaum. Pioneered by Frito-Lay's Sunchip, the segment is seeing more introductions such as Keebler's new multigrain Quangles. These and several products launched last year fall under the Snack Food Association's "other snacks" category, pushing the category up by 79.4 percent over 1990.

Taste race

Snack manufacturers are aggressively testing new flavors or reformulating old flavors to capture more shelf space. Flavor trends span multiple snack categories, especially in popcorn, chips and crackers. Keebler's latest variation on its O'Boise potato chip (O'Boise is its biggest seller) is a cheddar variation, while Frito-Lay recently added a Monterey Jack flavor to its Ruffles line.

Frito-Lay recently reformulated its Ruffles and Lays potato chips. "We looked at a product that's been around for 26 years," says spokesperson Todd McKenzie, explaining that the change includes higher-grade potatoes, a switch to 100 percent cottonseed oil for improved taste and new packaging.

The "light" trend is also gaining adherents. Going light can mean either less flavor intensity or more healthful ingredients. One buyer notes that Pringles recently dropped one type of mesquite barbeque chip and switched to a lighter BBQ taste product. Pringles explains that its Ripple Mesquite BBQ was discontinued, but it recently introduced a Pringles BBQ Chip. "We rotate flavors in and out to meet consumer interests," says spokesperson Wendy Jacques.

International foods also play into the niche game, the snack version of where to go out for dinner. At Arbor Drug, Keebler's Pizzaria and Chi Chi's tortilla chip are two of the chain's top performers. Arbor's POS system tracks product, enabling quick response for replenishment, or as Applebaum notes: "The name of the game is replenishment. If mesquite is what they want, that's what they want. You've got to have it."

More consumers are choosing snacks with more healthful ingredients, like "light" products with no/low salt, light butter/low fat or multigrain ingredients. The hot new multigrain chip category, including Frito-Lay's Sunchip and the newest entry, Keebler's Quangles, also fits into the the "healthy perception" snack category.

At Arbor, where health-oriented snacks are demonstrating strong growth, Applebaum notes that these do not dominate the department. Trends are developing, however, and this requires inventory management to assure instocks and satisfy customers who expect to find these lighter products.

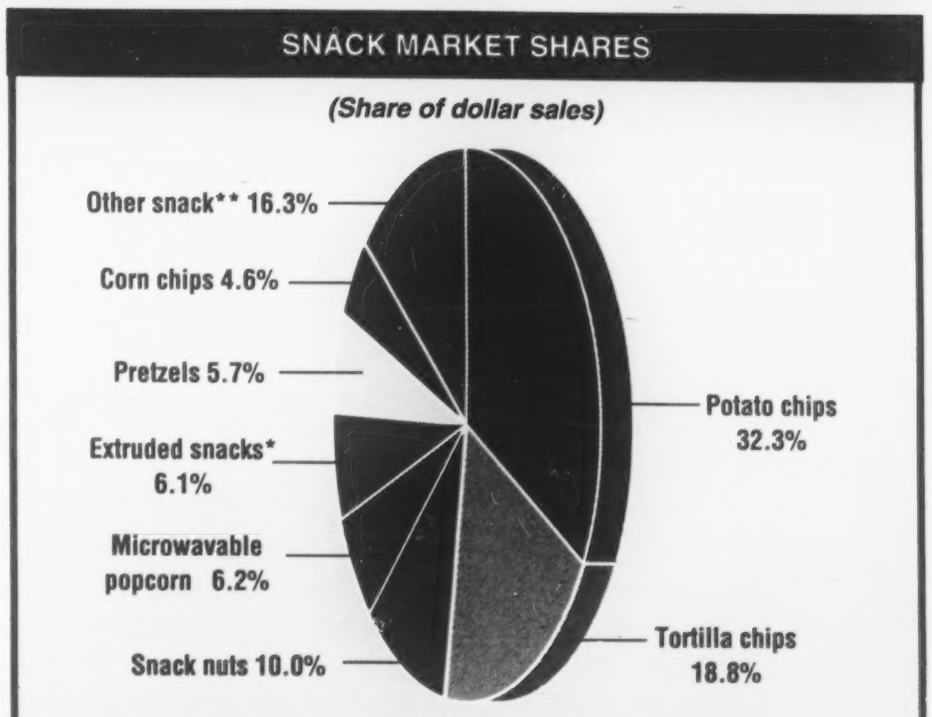
PayLess is also tracking the health-conscious consumer. The chain is in test with Health Valley's low cholesterol line and says Andy Vietch: "I think that's something we're going to have to take more seriously in the future."

Meanwhile, pretzels are making a stunning comeback and showed a 25.6 percent dollar increase in 1991 (for a total of $764 million), according to the SFA's annual report. The sales spike comes from the pretzel's low-fat reputation as a non-fried snack, say vendors.

Keebler flaunts the good news with a flag on its pretzels claiming "oven-baked crunch" and this year added two traditional pretzels (Bavarian and Knots) in addition to its butter pretzel line, while Frito-Lay recently introduced its own Bavarian-style pretzel in its Rold Gold line. With multiple players in the pretzel game, Frito-Lay is hoping to push its Rold Gold brand to narrow the field. Its Rold Gold party mix, introduced last year, added bite to the 36.1 percent growth of this $243.8 million segment, which is moving up with the home-entertainment trend.

Nuts also fill the bill for guest snacks. PayLess, which devotes 16 feet to its nut centers, reports that consumer taste is becoming more sophisticated with more shoppers looking for competitively-priced premium product such as cashews. Compared with mainstay nuts like dry roasted peanuts and mixed nuts, Vietch calls cashews "bright stars" in the

Continued on page 15



Source: 1992 Snack Food Association state-of-the-industry report.
*Snack made from dough extruded under pressure, such as puffs.
**Other snacks include meat snacks, ready-to-eat popcorn, party mix, pork rinds, variety packs and unpopped popcorn.

Snack facts

- **The West Central region has the highest pound per capita sales for the snack category, although it is the fourth most populous region.**
- **Potato chips are the leading snack food nationally—but on the Pacific Coast, tortilla chips rank first and in the Southwest run a close second to potato as the top snack chip.**
- **Expect more playful snack products like Frito-Lay's paw-shaped Cheetos, targeted to the fast-growing 10- to-20-year-old age group.**

Source: 1992 Snack Food Association state-of-the-industry report.

Microwave popcorn sales swell

Campgrounds may be about the only places where microwaveable popcorn isn't bursting through the roof.

Nationally, microwaveable popcorn sells at about double the rate of ready-to-eat or prepopped, for a retail sales total of $830 million in 1991 (vs. $455.3 million for prepopped). That's up 7 percent in 1991. Unpopped popcorn, at $132.4 million, is shrinking against other popcorn variants.

At one Southeast chain, microwaveable is promoted heavily in circulars. "I think it's the consumer lifestyle here. With popping you think of it as something you do at home," reports the buyer, who regards prepopped as less an everyday item than a consumable purchased for guests or holidays.

This July, the same chain is venturing into prepopped promotions with a caramel and white cheddar "big bag" promotion that the buyer thinks will appeal to consumers.

In Michigan, Arbor promotes microwaveable popcorn and reports that it does consistently well on promotion as do some of the chip categories like Chi Chi—but prepopped or ready-to-eat is also "coming on very very strong and showing excellent gains" in both basic and butter at Arbor.

Some chains told *Drug Store News* that prepopped holiday and theme tins, like those featuring sports teams and events, move snacks into the gift category. One manufacturer, Golden Harvest, reports that its coated prepopped product comes in 12 designs (plus custom designs for large orders) with Christmas tins leading in sales. Like some of its competitors, it offers bag and tin ready-to-eat in caramel, butter, white cheddar, and most recently, toffee.

Says Gary Scott, director of marketing for competitor Golden Valley, who produces the Act II microwaveable popcorn, says: "We continually come out with new products to improve our mainline items." This manufacturer will release a new savory flavor soon, says Scott. Its current line includes the regular and butter flavors, also available in light and natural (lower fat and sodium), plus caramel, cheddar cheese, white cheddar, tangy ranch and sour creme.

Popcorn already has a reputation as a healthy snack. These days consumers are reaching for even more low-cal and low-fat products. Says Andy Veitch, snacks buyer for PayLess, "the interesting thing about popcorn is that lite-butter is outselling butter and natural is close to butter sales."

He notes that people are conscious of weight and health, which means that while cheese and caramel are still a factor they aren't as strong as three years ago.

Snacks ringing up crisp sales in drug chains

Continued from page 14
category and says "they were secondary in the past, [but] now they're primary."

Another consumer snack shift is to reach for savory seeds. "We strongly believe we're getting newcomers to the category," says product manager Valerie McCartney of David & Son. She notes that it's been a "healthy" year for the company's sunflower, pistachio and pumpkin seeds (its newest product is a BBQ-flavored sunflower seed in the shell). Drug stores are reaching about 5 percent of share in this subcategory so far, while convenience stores lead the way with 65 percent of market share, reports McCartney.

Single serves

The trend toward single-serve bags and bite-size snacks is aimed at busy consumers, says Keebler spokesperson Stuart Greenblatt. He notes that with less traditional meals being eaten at home, people "tend to grab and eat on the run, especially with bite-size product." Bite size is made to be consumed by the handful and is easy for busy people to eat at a desk, in the car or on an airplane.

"You want to get quality products to consumers wherever they're going to eat," adds McKenzie of Frito-Lay, which introduced its "value line" of 25 cent packages for most of its products last year. It is targeting POS impulse display and candy department adjacency to catch "people who would like a quick snack." Frito-Lay's Big Grab packaging is larger but still single serve and has been out for a few years, but is also a growing size segment according to the manufacturer.

PayLess' Vietch notes that smaller snack sizes are "very profitable and something we believe should be a focus." Single serve size Frito-Lay represents 14 percent of Frito-Lay volume, but makes up 49 percent of sales. The chain plans to increase its offering of single serve in cracker, cookie and salty snack areas. He also expects more integration of snack into the candy department and says: "Consumers are looking for alternatives to candy items as long as pricing is proper."

Arbor's Applebaum points out that smaller sizes, ranging from mini- to mid-size, are "very very popular" and notes that this fits the drug store's convenience image, since a rushed or hungry consumer often wants to avoid the longer lines found in supermarkets and combos. An advantage of smaller bags for the drug retailer is the chance to offer more types and flavors, since jumbo bags or large fiber containers tend to drive down assortment.

A smaller price point is also pushing mid-size and mini-bag growth. Although larger bags offer a unit price advantage, customers first see a smaller price tag and often don't want a big snack bag to get stale or choose a smaller size to curb overeating.

The buyer of a Midwest chain notes that more hand or smaller sizes are in the pipeline, and Pringles is testing small foil packs in this region.

"A lot of this is just starting to come out," he says, adding that the convenience packs will end up in a lot of lunch bags. In this chain's upcoming coupon book, the buyer plans to include a new mini-Ralston snack mix bag as a free giveaway.

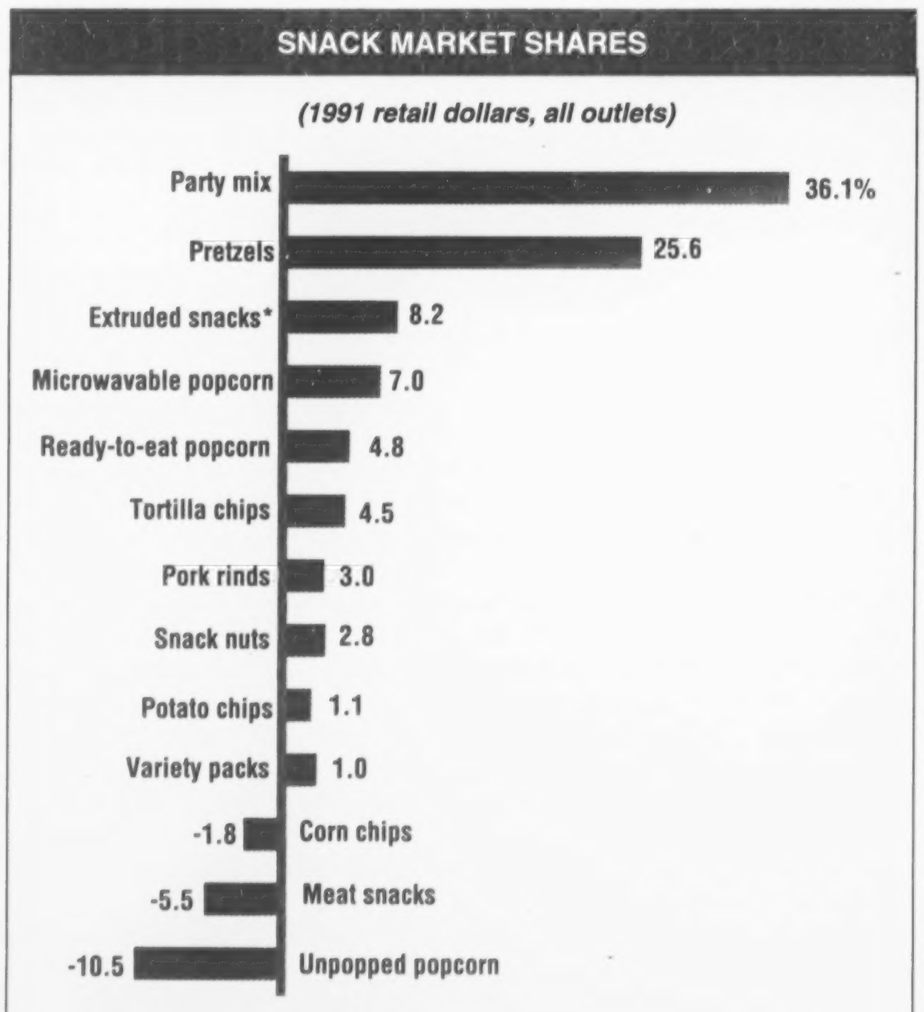
Price vs. brand

In chain drug stores, snack foods are often positioned to trigger a shopper's impulse appetite—like at deep discounter Drug Barn, based in South San Francisco, where snack foods dominate the right-side power aisle. The way to a consumer's pocket may be through the belt, or as one Drug Barn manager told *Drug Store News*: "First I give them something for the tummy."

In today's economic climate, do consumers look for price or brand in snack food? "Quality sells," at PayLess says Vietch, who adds, "at competitive prices." The buyer for one southeast chain says, "absolutely price over brand," but at Arbor both do well: "There is strong day-to-day business and people have their favorites, but when snacks are on promotion there will be switching over," says Applebaum.

Snacks are a highly promotable on-deal category. As more large chains enter the private-label snack category, mainly with chips and popcorn, branded products will push image appeal to justify average higher prices.

Bargain snacks stretch a budget further, although branded or upscale lines are likelier choices for more "conspicuous consumption" such as guest entertaining. From "big bags" for Labor Day circulars to mini bags and upscale "signature" lines like Cape Cod kettle potato chips, as one buyer says: "You've got to have a lot of variety to tell the story today."



Source: 1992 Snack Food Association state-of-the-industry report.
*Snack made from dough extruded under pressure, such as puffs.

TUFF LITE.
THE BEST SELLING
RUBBER FLASHLIGHT
IN THE WORLD.

To order the Tuff Lite®, call 1-800-USA-LITE.

Garrity®
America's fastest growing name in lighting

Garrity Industries, Inc., 14 New Road, Madison, CT 06443, (203) 245-8383.

Mead

CAMBRIDGE BUSINESSWEAR™
AS IMPORTANT TO THE WAY YOU LOOK AS THE CLOTHES YOU WEAR.

MOSCO® New! FORMULATION

•High Profit Potential
•Consumer Advertising
•Strong TV Support

MEDTECH LABORATORIES, INC.
3510 North Lake Creek Dr. • P.O. Box 1108
Jackson, Wyoming 83001 • 1-800-443-4908
Ask your wholesale or Medtech representative about MOSCO, or call us directly.
© 1991 Medtech Laboratories, Inc. • Licensed Distributor of Mollie Jossem

Only **one** cold sore treatment has **sunscreens** to **protect & prevent:**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Something new under the sun!
The only cold sore product with sunscreen
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Candy stays sweet for drug chains despite tough economic times

The candy category is living up to its reputation as a sweet performer—be it in recessionary times or boom times. But chain drug buyers are hoping the industry comes up with another home run product in time for Halloween and Christmas.

"I'm still waiting for something that will be the kicker for seasonal this year," said Laurie Mauragas, a buyer for Happy Harry's Discount Drugs in Newark, Del. "I'll be looking for it at the [National Candy Wholesalers Association] Show in Boston."

Be that as it may, candy sales have held up well over the past year despite a slowdown in sales of many other, higher-priced goods in the nation's drug, food and discount stores. Total candy sales now exceed $14 billion at retail, according to National Confectioners Association spokesman Bill Sheehan, and manufacturers are still aiming for "25 by '95," or per-capita candy consumption of 25 pounds by mid-decade. Said Jim Freisen, director of trade development for Hershey Chocolate USA, "We could hit 21 pounds per capita this year, for the first time."

can always afford to treat themselves to a candy bar."

Agreed Hershey's Freisen, "Maybe people don't have the big entertainment dollars right now, but there's always 50 cents to treat yourself or buy the kids a candy bar."

At Walgreens, one of the industry's top candy retailers, "we've seen solid and steady growth with candies," said spokesman Mike Polzin.

Whitney Hill, a spokesman for M&M/Mars, said the chocolate giant had "two very strong months in March and April" after weathering a "kind of static" six-month period in the fall and spring of 1991 and 1992. Bar chocolate sales were up nearly 18 percent in April and sugar candies jumped 16.4 percent for the month.

"It seems to be rolling again," Hill said. Wrapper refund programs—offered by M&M/Mars April 6, and soon after, by Hershey—should push those gains even higher before M&M/Mars' program expires Oct. 15, he added.

Taking a longer view, Hill said drug stores are standout performers in candy. "Chain drug has been very positive [in candy sales] over the past five years, with double-digit increases every year but one. Our No. 1 account among major drug chains was up 21 percent."

K&B, New Orleans, makes full use of candy's high-impulse sales appeal, displaying a broad selection of bar candies along a prominent service counter that fronts the liquor department near front-end checkstands.

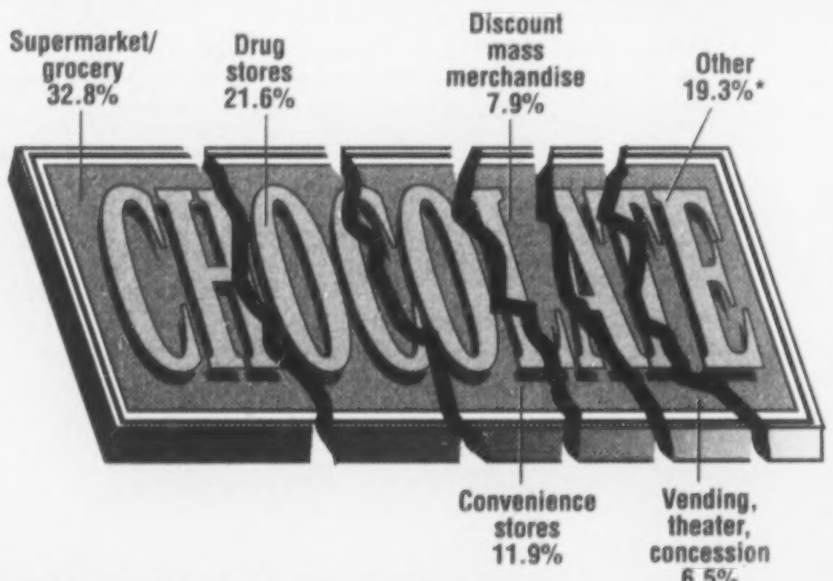
ry's. "We've expanded the section in our stores. . . because there's definitely a niche there, profits are good and our customers have come to expect it."

Added Belanger of LaVerdiere's, "We get a good gross from candy—a good 40 to 45 percent on deal and probably 37 or 38 percent overall."

Dick Osborne, candy buyer for Bill's Drugs in Benicia, Calif., said its store managers can compete sharply on hot items but still build good category margins through careful department management. "On lead candy items, you must get down close to cost. Once they get past the ad merchandise, managers can pick and choose a selection that will bring up their overall gross margins. The purpose: build a mix [to] run good gross profits."

Buyers report that some segments have been extremely hot sellers in recent months. Among them: sour and hot hard candies, fruit-flavored entries, gummy chewables and the new Dove candy line from M&M/Mars. "All the solids are doing well for us; that seems to be the big thing now," said Matt Kirk, candy buyer for Douglas Maxi Drug. "The hot area is sours," said Walgreens' Polzin.

1991 U. S. CANDY RETAIL SALES, BY OUTLET



*Other includes: variety, five & dime; department stores; warehouse clubs: and miscellaneous.

Source: Leaf, Inc., National Confectioners Association.

Estimated 1991 sales - $15B

Indeed, recession seems to be a tonic for sales of sweets. Low price points, multiple-location merchandising in stores, an impulse-purchase incidence as high as 85 percent of sales make the category a natural performer in harder times, say manufacturers and retailers.

"In general, candy always seems to be a good category when times are a little tough," noted Nancy Belanger, toy and candy buyer for LaVerdiere's Super Drug Stores in Waterville, Maine. "People

Feisty Bill's carves candy niche

BENICIA, Calif. — Sometimes, it's the smaller chains that have the big ideas. That goes for Bill's Drugs in its aggressive approach to the candy business—an approach mirrored by the chain's niche strategies in other categories where it takes a dominant position, like books and magazines.

With 24 stores in the San Francisco Bay area, Bill's isn't tiny. But it's dwarfed in size by many of its Bay area competitors, including Walgreens, Longs Drug Stores, Thrifty and Pay Less.

The scrappy merchant's response has been to specialize in extremely broad selection of HBA, OTC drugs and other drug store items, while targeting niche market opportunities that its competitors can't offer. That approach has led Bill's to turn its books and periodicals department into little short of a bookstore within a drug store, giving the chain a reputation as a book/magazine specialist.

The same can be said for its approach to candy. The chain maintains an extensive year-round seasonal set for candy, as well as a well-stocked permanent department for bars, bagged candies, etc.

"Some of the other drug stores here just highlight certain items, but customers know we offer a complete seasonal selection of candy," said Bill's buyer Dick Osborne. "We do extremely well in promoting seasonal merchandise."

Indeed, each Bill's store offers anywhere from 20 to 100 feet of candy on rotating, year-round seasonal tie-ins. That's in addition to its mainline confection department.

"We try to build valleys, so that when a customer walks in she sees a full seasonal department set," Osborne said. "We try to incorporate everything in a seasonal set, so the customer can buy related merchandise like toys, baskets, coloring books or the like, along with candy."

To build seasonal volume in candy and other categories, the chain and its major vendors sponsor several buying shows a year for its store managers and merchandisers. Biggest shows are Christmas and Valentine's/spring/summer; Halloween is also tied into a buying show. There, managers have access to a variety of seasonal tie-ins, promotions and deal opportunities worked out in advance between vendors and company buyers.

"The vendors come in and work alongside our own buyers," said Osborne. "We bring our managers in . . . and use a convention center set up with tables. Every item's tagged. The store managers work off their budget." The shows are big enough to fill an auditorium. Candy vendors are well-represented.

In the stores, the result is a coordinated, aggressive seasonal presentation that makes the most of cross-merchandising opportunities in candy. "We're in a very competitive market, but we have an advantage in being able to show a large candy selection," said Osborne.

Walgreens posts strong sales, earnings gains

DEERFIELD, Ill. — Walgreen Co. continues to outrun the anemic economy, notching impressive earnings gains for its most recent fiscal period and maintaining a long string of record sales and earnings.

Net earnings for the fiscal 1992 third quarter ended May 31 advanced a strong 14.8 percent to $56.6 million. Sales were up 10.7 percent to $1.89 billion.

Boosting profits are new store systems, including POS scanning and Walgreens' Strategic Inventory Management System (SIMS), "along with strong cost controls," noted the company.

For the first nine months, net earnings rose 13.6 percent, to $169.2 million, on sales of $5.63 billion. "Pharmacy sales continue to lead overall sales, advancing 15.7 percent for the third quarter and 16.6 percent for the first nine months," said president L. Daniel Jorndt in a statement. He added that same-store prescription sales were up 13.9 percent for the first three quarters.

Big strides in the company's mail-order business are helping to boost pharmacy sales. "Walgreens Healthcare Plus, our pharmacy mail service business, recently signed three new mail service accounts: Alcoa Aluminum, the *New York Times* and USA Healthnet, the nation's largest PPO," said Jorndt. "The alliance with USA Healthnet helps create the first national PPO pharmacy network to integrate both retail and mail-order components."

On the expansion front, Walgreens is projecting a total of 115 new drug store openings this year, including 78 new units already opened. That exceeds original projections and advances the chain's stated goal of reaching 3,000 drug stores by the year 2000.

"Our strong financial position gives us confidence we can accelerate our store growth for the rest of the decade," said chairman Charles R. Walgreen III. "This growth plan will help strengthen Walgreens' presence in existing markets and necessitate entering a number of new markets as well."

The chain ended June with 1,710 drug stores in 29 states and Puerto Rico, compared with 1,625 at the same time last year.

Bergen Brunswig posts 20% net sales gains

ORANGE, Calif. — Bergen Brunswig Corp. reported a 20 percent increase in third quarter net sales to $1.34 billion from $1.11 billion for the period ended May 13, 1992. Net earnings were $17.2 million compared with $17.1 million in the prior year.

Net earnings for continuing operations were $16.0 million compared to $16.2 million for the comparable period, while earnings from discontinued operations were $1.2 million compared to $1.0 million a year ago. Earnings from discontinued operations are those of Commtron Corp., a distributor of pre-recorded videocassettes, sold to Ingram Industries, Inc. in a sale concluded on June 19.

Net sales and other revenues from continuing operations for the nine months ended May 31, 1992 increased 16 percent to $3.7 billion compared to $3.2 billion a year ago. Net earnings were equal to $43.1 million compared to $51.2 million in the 1991 period.

For extra profits, **display** & **recommend** with **suncare** products.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The healthcare professionals' **treatment of choice!**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

MARKET DIARY:

Largest Dollar Gainer	Durr-Fillauer	$ 6.50
Largest Dollar Loser	Marion Merrell Dow	$ – 4.88
Largest Percentage Gainer	Durr-Fillauer	31.33%
Largest Percentage Loser	Drug Emporium	– 33.33%

Advances	46
Declines	14
Unchanged	3
New highs	1
New lows	10

	Close 6/23/92	Close 7/14/92	Net Change	Percent Change
Drug Store News Index	4442.37	4595.01	152.64	3.44
Dow Jones Industrial Average	3285.62	3358.39	72.77	2.21
Standard & Poor's 500-Stock Index	404.04	417.68	13.64	3.38
N.Y.S.E. Composite	221.99	229.51	7.52	3.39
Value Line Index	244.20	250.07	5.87	2.40

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 6/23/92	Closing Price 7/14/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.75	4.75	0.00	0.00	19	0.00	0.00	6.75	3.47
OTC	Arbor Drugs	ARBR	19.50	20.00	0.50	2.56	21	0.12	0.60	25.25	17.50
OTC	Big B	BIGB	13.25	13.75	0.50	3.77	14	0.20	1.45	16.25	10.63
OTC	Drug Emporium (L)	DEMP	6.00	4.00	– 2.00	– 33.33	—	0.08	2.00	9.25	4.00
NYS	Fay's Inc.	FAY	7.88	7.50	– 0.38	– 4.76	17	0.20	2.67	11.81	6.59
ASE	Genovese Drug (L)	GDX.A	7.75	7.88	0.13	1.61	8	0.24	3.05	14.75	7.50
NYS	Longs Drug Stores	LDG	34.50	34.63	0.13	0.36	13	1.12	3.23	41.75	33.13
OTC	Medicine Shoppe	MSII	24.75	25.00	0.25	1.01	18	0.36	1.44	30.75	19.50
NYS	Perry Drug	PDS	9.00	8.63	– 0.38	– 4.17	12	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	20.00	20.38	0.38	1.88	14	0.52	2.55	23.75	17.25
NYS	Walgreen Co.	WAG	32.63	37.00	4.38	13.41	21	0.52	1.41	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	19.50	20.25	0.75	3.85	15	0.40	1.98	23.91	16.00
OTC	Bindley Western Ind.	BIND	14.63	14.38	– 0.25	– 1.71	8	0.04	0.28	20.75	13.50
OTC	Cardinal Distribution	CDIC	29.25	30.50	1.25	4.27	23	0.08	0.26	38.75	22.50
OTC	Durr-Fillauer	DUFM	20.75	27.25	6.50	31.33	19	0.28	1.03	32.25	17.50
NYS	FoxMeyer Corp.	FOX	12.38	13.00	0.63	5.05	13	0.28	2.15	16.63	10.75
NYS	McKesson Corp.	MCK	30.63	32.88	2.25	7.35	36	1.60	4.87	40.13	30.25
ASE	Moore Medical	MMD	6.00	6.63	0.63	10.42	22	0.00	0.00	7.38	3.00
NYS	Owens & Minor	OMI	17.13	17.75	0.63	3.65	18	0.24	1.35	24.25	15.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	28.50	30.50	2.00	7.02	22	0.60	1.97	34.88	25.31
NYS	American Home Products	AHP	71.13	74.88	3.75	5.27	17	2.60	3.47	86.25	60.25
ASE	Barr Laboratories (L)	BRL	6.00	7.25	1.25	20.83	52	0.00	0.00	37.50	5.88
NYS	Baxter International	BAX	36.75	37.25	0.50	1.36	18	0.84	2.26	40.88	32.63
OTC	Block Drugs Co. (L)	BLOCA	47.50	45.50	– 2.00	– 4.21	14	0.88	1.93	61.00	44.25
ASE	Bolar Pharmaceutical	BLR	12.00	13.75	1.75	14.58	—	0.00	0.00	14.50	4.13
NYS	Bristol-Myers Squibb	BMY	66.38	66.88	0.50	0.75	16	2.76	4.13	90.13	62.00
NYS	Carter-Wallace	CAR	25.00	29.38	4.38	17.50	29	0.32	1.09	45.84	20.84
ASE	Columbia Labs	COB	4.88	4.63	– 0.25	– 5.13	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	19.00	19.38	0.38	1.97	14	0.28	1.45	24.38	16.88
ASE	Forest Labs	FRX	30.88	34.88	4.00	12.96	31	0.00	0.00	43.63	28.63
ASE	Halsey Drug	HDG	6.63	6.81	0.19	2.84	24	0.00	0.00	9.75	4.56
NYS	ICN Pharmaceutical	ICN	10.00	11.25	1.25	12.50	12	0.00	0.00	25.38	5.25
NYS	Johnson & Johnson	JNJ	44.88	46.25	1.38	3.06	20	0.92	1.99	58.69	42.38
ASE	Lee Pharmaceutical	LPH	1.38	1.50	0.13	9.09	—	0.00	0.00	2.13	0.75
ASE	Leiner P. Nutrition	PLI	14.88	14.88	0.00	0.00	—	0.00	0.00	14.88	10.25
NYS	Lilly Eli Co.	LLY	64.38	64.75	0.38	0.58	14	2.20	3.40	87.75	63.63
NYS	Marion Merrell Dow (L)	MKC	32.50	27.63	– 4.88	– 15.00	13	1.00	3.62	39.00	25.75
NYS	Merck Co.	MRK	49.50	50.00	0.50	1.01	26	0.92	1.84	56.59	39.00
NYS	Mylan Labs	MYL	37.25	41.75	4.50	12.08	39	0.20	0.48	43.25	24.00
NYS	Novo-Nordisk	NVO	87.25	92.63	5.38	6.16	19	0.60	0.65	96.00	66.00
OTC	Nutramax Products	NMPC	10.00	9.75	– 0.25	– 2.50	24	0.00	0.00	12.50	5.50
NYS	Pfizer Inc.	PFE	72.25	77.38	5.13	7.09	35	1.48	1.91	87.00	58.38
NYS	Pharmaceutical Resources	PRX	4.88	5.63	0.75	15.38	—	0.00	0.00	8.00	2.63
NYS	Rhone-Poulenc Rorer	RPR	54.00	57.63	3.63	6.71	23	0.64	1.11	69.38	41.38
NYS	Schering Plough	SGP	54.75	55.50	0.75	1.37	17	1.56	2.81	68.00	49.88
NYS	Syntex Corp. (L)	SYN	34.75	33.50	– 1.25	– 3.60	16	1.04	3.10	56.00	32.13
OTC	Taro-Vit Industries	TAROF	8.50	8.25	– 0.25	– 2.94	118	0.00	0.00	12.75	3.25
OTC	Teva Pharmaceutical Ind.	TEVIY	23.63	25.75	2.13	8.99	27	0.16	0.62	28.38	14.00
NYS	Upjohn Co. (L)	UPJ	31.88	31.88	0.00	0.00	11	1.36	4.27	47.88	31.00
NYS	Warner-Lambert	WLA	59.88	62.50	2.63	4.38	51	2.04	3.26	79.25	58.38
OTC	Zenith Labs	ZENL	18.00	19.00	1.00	5.56	—	0.00	0.00	24.50	7.00
Other retailer transactions											
NYS	Albertson's	ABS	39.63	41.75	2.13	5.36	24	0.64	1.53	44.88	32.75
NYS	American Stores	ASC	34.13	36.13	2.00	5.86	11	0.68	1.88	42.25	26.00
NYS	Giant Food (L)	GFS.A	20.50	20.38	– 0.13	– 0.61	15	0.68	3.34	28.88	19.38
NYS	Great Atlantic&Pacific Tea	GAP	28.63	27.38	– 1.25	– 4.37	18	0.80	2.92	43.63	25.00
NYS	Kmart	KM	22.50	23.00	0.50	2.22	12	0.92	4.00	27.50	19.06
NYS	Kroger (L)	KR	15.38	14.63	– 0.75	– 4.88	12	0.00	0.00	21.13	14.63
NYS	Melville Corp.	MES	44.25	46.38	2.13	4.80	15	1.48	3.19	52.00	38.25
OTC	Fred Meyer	MEYR	24.25	27.25	3.00	12.37	14	0.00	0.00	29.25	19.75
NYS	Penney, JC (H)	JCP	70.25	70.88	0.63	0.89	29	2.64	3.72	72.13	47.13
NYS	Safeway	SWY	12.50	12.88	0.38	3.00	24	0.00	0.00	20.25	11.63
NYS	Smith's Food & Drug (L)	SFD	29.00	28.00	– 1.00	– 3.45	17	0.44	1.57	43.25	27.38
NYS	Wal-Mart	WMT	53.88	55.50	1.63	3.02	38	0.20	0.36	59.88	44.50

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 14 July 27, 1992

DRUG STORE NEWS

VOL. 2/NO. 7 | The Journal of Retail Pharmacy | JULY 27, 1992

for the PHARMACIST

NEWS FOCUS

•The initial box score from last month's FBI crack down on drug diverting pharmacists: 56 retail pharmacies closed down by federal agents and 82 pharmacists arrested in 50 U.S. cities. The FBI operation, code name "Goldpill," tracked Medicaid and Medicare patients who obtained unneeded prescriptions from "unscrupulous doctors," had them filled by pharmacists, "then sold the drugs for a fraction of their value to diverters. These middlemen in turn sold them at discount rates to unethical pharmacists, who then re-sold them to the public at full-price."

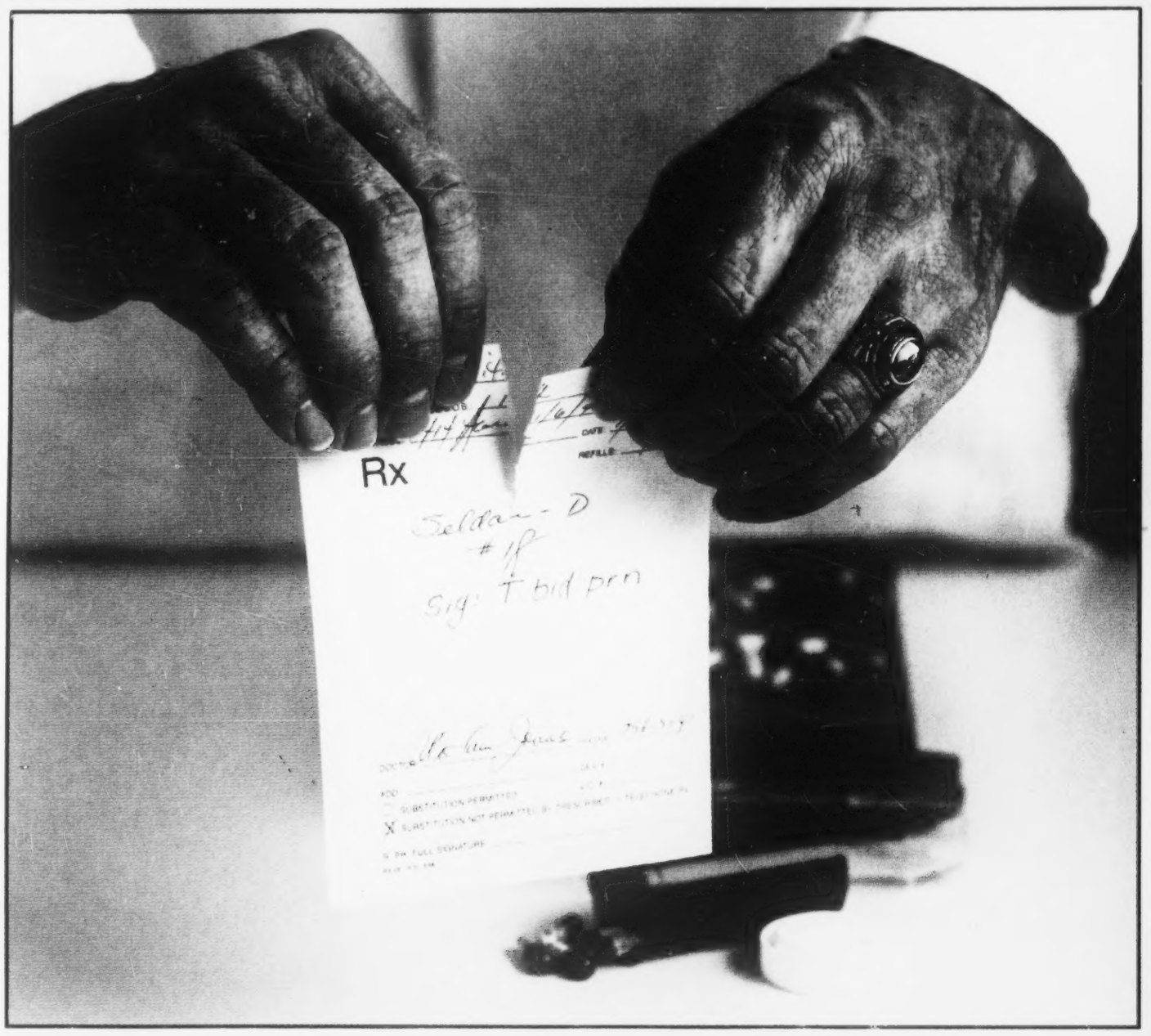
•Marion Merrell Dow was quick to alert health care professionals regarding the FDA's recent mandate to upgrade warning labels on Seldane, but plans to switch the prescription drug to OTC status have been clouded.

The popular, non-sedating antihistamine, with 1991 sales totaling $768 million, can cause life-threatening cardiac problems when used with some anti-infective drugs, by patients with liver disease or in excessive doses, according to the FDA.

Its patent expires in April 1994 and Marion Merrell Dow planned to switch it to OTC, with some analysts predicting it would surpass Tylenol as the nation's leading over-the-counter remedy.

"We are re-evaluating those [switching] plans," said Dick Johnson, a company spokesman.

APhA head honcho, John Gans, immediately seized on the Seldane warning as evidence of the need for a new, pharmacist-only transitional class of drugs.



Rx-to-OTC: No prescription needed

As FDA concerns with the safety and labeling of Marion Merrell Dow's Seldane have thrown a wrench into plans to seek OTC status for the world's leading non-sedating prescription antihistamine, a renewed emphasis at the FDA on OTC regulatory efforts could subject other potential switch candidates to increased scrutiny. *Cover story begins on page 17.*

CE: Hyperactivity disorder 33

Discounting and competing 22

DRUG STORE NEWS
PHARMACIST

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

Publisher JILL MANEE
Editor BRUCE BUCKLEY
Pharmacy Editor DIANNE THARP, R.Ph.

Executive Editor Al Heller
Senior Desk Editor Bernadette Casey
Special Projects Editor Elizabeth Parks
Associate Editor Barbara White
Desk Editor Carol Kearney
Desk Editor Fred Rueckher
Editorial Info. Coord. Carine Dabady, ext. 5234

Bureau Editors: James Frederick (Sr. Editor, Cleveland; (216) 642-3420), Allene Symons (Assoc. Editor, Los Angeles; (213) 464-8321), Mike Troy (Field Editor, Tampa; (813) 664-6946), Ken Rankin (Bureau Chief, Washington; (301) 774-3895), Deane Evans (Washington)

REGIONAL SALES OFFICES

New York (212) 756-5220
Nat'l Accounts Manager: Larry Krongold
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: Maggie Kaeppel
Area Manager: Amanda Cimon

Art Director Bob Brokman
Graphic Artist Cate Johnson
Director of Manufacturing Stan Kaufman
Advertising Production Mgr. Mary Lewis
Business Manager Joel Safir

CIRCULATION AND CE
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services Jim Dickison
Circulation List Manager Torry Burdick
CE Administrator Latara Clements

Board of Pharmacy Advisers
Clarence Archer Wal-Mart
Marty Belitz Shoppers Drug Mart
Frank Deardorff IMS America
Len DeMino NACDS
Phillip R. Engle Bergen Brunswig Corp.
Robert King FoxMeyer Corp.
Howard Kramer Kmart Corp.
Tom Simone McKesson Corp.
Saul Schneider K&B Inc.
Al Sebok Revco D.S. Inc.
Bob Shapiro Perry Drug Stores Inc.

Founder (1900-1981) Arnold D. Friedman

President J. Roger Friedman
VP/Administration Harry A. Estes
VP/Publisher Fred Filer
VP/Publisher Jay Forbes
VP/Circulation Martha Pattley
VP/Publisher John Rapuzzi
VP/Treasurer Daniel J. Mills
VP/Human Resources John Murro
Director, Corporate Development John O'Brien

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Publisher of Accounting Today, Drug Store News, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

editor's note

A third class argument against a first class idea

If Orrin Hatch's finger pointing at retailers as the cause of rising drug prices (*Drug Store News for the Pharmacist*, June 22, 1992) didn't get your blood boiling, get yourself a copy of NDMA's video: "Less for More: A Third Class Idea." Targeted at the consumer, the video recalls the long gas lines of 1974 as an example of what will happen if a Third Class of drugs is instituted here. A customer shopping in a grocery store passes the HBA shelves as Tylenol and Contac fade before her eyes to leave gaping holes where familiar, accessible product once appeared.

The gist of the video: long lines, less product choice and increased prices are inevitable if this "druggist monopoly" occurs. This argument might make sense to the average consumer. After all, according to the video, with distribution restricted to only 65,000 pharmacies nationwide, the access to OTC medicines would be cut by 90 percent. And with busy druggists filling an average of 69 prescriptions per day, how would they have time to sell the customer Tylenol? Clearly, the video argues, a Third Class of drugs would be "inconvenient, unnecessary, expensive and unfair."

Come on guys, Tylenol and Contac? Maybe I missed something in the Third Class proposals. I thought we were talking about a *transitional* class, where, for example, Rx switch products might reside so pharmacists could facilitate their safe use by consumers, and problems that occurred when Metaprel was Rx then OTC then Rx again might be avoided. Or a *pharmacist-only* class where products like Seldane could be dispensed only after concurrent antibiotic use or a history of liver disease could be queried.

What about the availability of the closest thing we have to a Third Class product today: insulin. I am unaware of diabetics waiting in long lines to purchase insulin. And the expense? In the retail pharmacies where I worked, the margin on insulin was about the lowest in the store.

Has the average consumer been done a disservice by this misrepresentation? Apparently not. See this issue's cover story for a consumer group perspective and the latest on the Third Class. Has pharmacy been done a disservice by this video? I'll leave that up to you.

Dianne M Tharp

table of contents

Rx-to-OTC switching: New hope from changes at FDA

The FDA has placed increased emphasis on OTC regulatory efforts by restructuring and creating an advisory panel. But what effect will those changes have on the Rx-to-OTC switching process? **Page 17.**

Vitamins booming

New studies showing benefits boost sales. **Page 9.**

Regional recap **14**
My way of thinking **6**
Physician's perspective ... **21**
Entrepreneurial pharmacist **22**
Third party news **24**
Association news **25**
New products **28**
Drug watch **31**
Continuing education **33**

Vitamin sales booming again as new reports tout benefits

Consumers are regarding vitamins with new respect, thanks to a flood of recent articles reporting positive results in vitamin studies.

Among the most promising new indicators are scientific reports of cancer preventive and other health-enhancing properties found in antioxidants such as vitamin A/beta carotene, vitamin C and E and other dietary supplements.

And while the benefit of calcium in preventing osteoporosis is well known, more recent studies are demonstrating the possibility that zinc bolsters immune function and folic acid prevents neural tube defects.

Comments Sundown's Nicolas Palin, president of sales for Rexall-Sundown, who reports that the manufacturer's vitamin sales are up almost 40 percent since last year: "The generally favorable response in the press—probably for the first time ever—is helping fuel increased awareness of vitamins."

In the 12 month period through May 1992, all vitamin sales in drug stores grew 4 percent to reach $555.3 million, according to a drug store audit by the market research firm Towne-Oller and Associates. The same report shows multivitamin sales up 1 percent over the previous year to reach $190.4 million.

The vitamin category has been relatively flat for the past three years, but this year's media attention appears to be working: vitamin C jumped 10 percent, vitamin E rose 9 percent and the vitamin A-beta carotene segment rose 16 percent in drug stores (dollar sales) over last year, according to the same study.

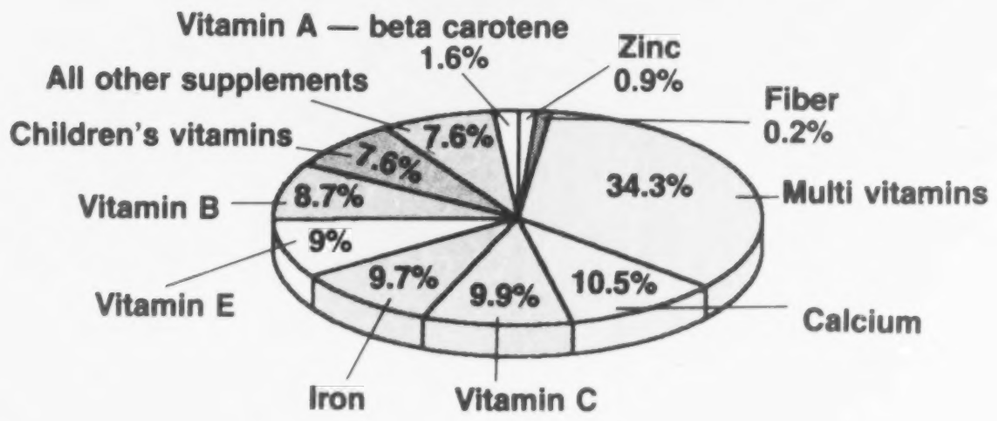
Buyer Robin Koon of California-based Horton & Converse Pharmacies reports that, although he's seen vitamin sales slump in recent years, "I think we're going to see a resurgence in that area and I think the hot area is the antioxidants. I think when they come in to pick up an antioxidant, it helps vitamin sales in general."

Says Nature Made's (Pharmavite) Frank Sajovic: "The news has been wonderful and it should continue because scientific studies are not just a flash in the pan." He and other manufacturers note that more study results will be released between 1992 to 1995. "This wave of positive publicity should continue for several years and hopefully will take

Continued on page 10

Share of retail vitamin sales ($555.3M) in drug stores by sub-categories

(12 months ending May 1992)



Source: Towne-Oller and Associates.

FDA takes on vitamins

The Food and Drug Administration has embarked on a major effort to improve the content and format of the nutrition label on packaged foods.

Under the Nutrition Labeling and Education Act of 1990, proposed regulations are scheduled for a final date of November 1992. Unless a vitamin is marketed as a drug (and therefore subject to regulation as a drug), vitamins and minerals are considered food and must conform with these regulations, says FDA press official Sandy Baxter.

According to nutrition labeling proposals, specific health claims relating to calcium and osteoporosis would be allowed, but not health claims relating to zinc, antioxidant vitamins, dietary fiber or folic acid.

One result of NLEA will be new standards for dietary intake. As proposed, the old standard U.S. Recommended Daily Allowance (RDA) would be replaced by Reference Daily Intake (RDI) to provide consumers with a basis to compare protein, vitamin and mineral content of food.

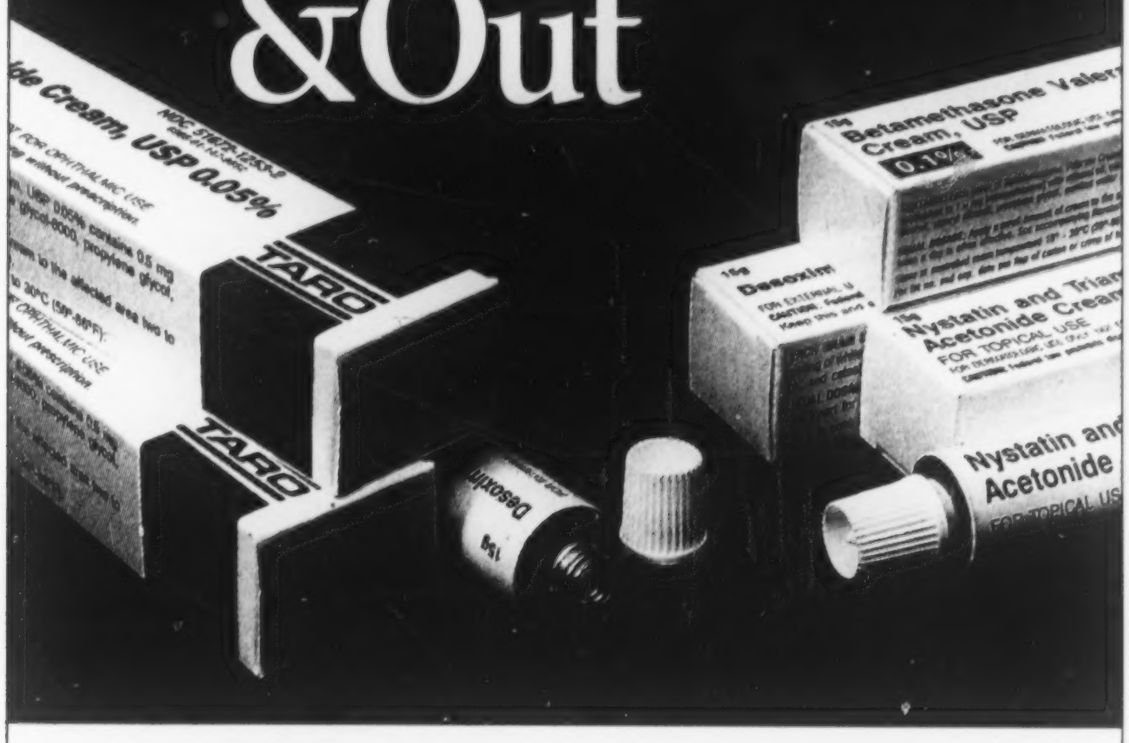
Another standard, the Daily Reference Value (DRV) would provide a basis to compare fat, cholesterol, carbohydrates, dietary fiber, sodium and potassium. One of the controversial issues, according to vitamin manufacturers, is whether the percentages of these dietary reference values will be too low in light of recent studies.

At the same time, several other major studies are underway which could have an impact on future labeling regulations. One is the soon-to-be-released Dietary Supplement Task Force study.

"A lot is unclear about what the FDA is planning over the next year or two," says one vitamin manufacturer. Says the FDA's Baxter, "We issued regulations in November of last year and received thousands of comments which are still under review." He continued, "I'm sure the Dietary Supplement Task Force [study] will have an impact on those regulations, but what they will be I'm not sure."

Quality & Integrity Inside & Out

TARO



Quality Products

Inside you'll find over 40 years of worldwide experience in the manufacturing of quality products. We totally control the quality of all our fine topical products, assuring that patients consistently receive safe and efficacious drugs.

Superior Packaging

Outside you'll find the same attention to quality and detail that we give to the product inside. For example, every tube is safety sealed to protect the integrity of the drug. And we only use high-quality lithograph tubes and boxes.

Aggressive Sales Programs

Whether its a special sweepstakes contest, a two-for-one deal, or a volume discount program, you can count on TARO Pharmaceuticals U.S.A. to offer price competitive advantages for our quality line of products and value-added support and service.

Liberal Return Goods Policy

We pride ourselves on customer satisfaction. If for any reason a product doesn't move off the shelf or the expiration date passes, just return it within 12 months of expiration. No questions will be asked.

Taro Pharmaceuticals U.S.A., Inc.
Six Skyline Drive, Hawthorne, NY 10532
800-544-1449

TARO

©1992 Taro Pharmaceuticals U.S.A., Inc.

Circle #004 on Reader Service Card

Vitamin sales boom again

Continued from page 9

a lot of the mystique out of vitamins, where they will be linked more to science than folklore," adds Sajovic. Manufacturers are frustrated because they cannot excerpt this kind of news to promote their products. Paul Bolar, director of regulatory affairs for Pharmavite, says, "We'd like to make a claim about antioxidants in relation to cancer prevention. We think there is good data that the FDA isn't putting enough weight behind."

Vitamin decade

In the 1960s and 1970s, a counterculture movement drove strong vitamin sales. But this current wave of vitamin interest, backed by scientific studies conducted by institutions like Harvard Medical School, is influencing purchasing decisions of mainstream consumers who want more control over personal and family health, yet have concerns over their financial future.

Today's ailing economy draws consumer attention to comparative prices. Consumers concerned about the high cost of health care, and especially those who are worried about employment or stuck between jobs, adds traffic to the growing consumer market for value-priced vitamins.

At Olson Plaza Pharmacy in Seattle, Marshall Olson reports that he does very well with the generic equivalent of Centrum. At MediMart Pharmacy, which operates three stores in Binkley, Arkansas, pharmacist Ben Meyers explains that his customers are concerned about quality, potency and price, so MediMart shows a steady business in both national brands and generics. But Horton & Converse customers are more concerned with perceived quality than price, says Koon. "Nature Made is very good at that. Their bottle says no preservatives and no artificial colors. The trend is to get as natural as possible."

Quiet claims

Meyers reports that physicians recommend vitamins on occasion but adds, "we do a great deal of counseling. We usually use our expertise on what vitamins do and don't do," says Meyers.

Pharmacists consider a person's lifestyle, age, whether they smoke and other factors. Based on feedback from customers, he is concerned that some health food stores and exercise salons (where vitamins are also sold) seem to be making false claims about dietary supplements.

At Horton & Converse, like most drug stores, vitamins are displayed in front of the pharmacy so the pharmacist can answer questions. "We stick to what's published, what's known" when it comes to counseling, says Koon.

This current wave of vitamin interest. . . is influencing purchasing decisions of mainstream consumers.

Besides pharmacists, customers can get information from manufacturer sources too. Sundown packages its line with a double-sided label, which provides information on both sides, and supports its vitamin products with a brochure series called "Ask the Family Doctor." Brochures are provided by many other vitamin manufacturers as well. These are often displayed in a spinner rack near the pharmacy in the patient waiting area.

Continued on page 13

Vitamin sales booming again as new reports tout benefits

Continued from page 10

Only limited claims can be made for vitamin/mineral products, but some new marketing plans and promotions are on the way this summer and fall. This year, Squibb's Theragran launched a new package to reposition the brand as a contemporary multivitamin using bold orange, yellow and green graphics against a black background. Its third-quarter media program includes TV and women's magazines.

Sundown is taking a different approach and will feature the ageless icon Dick Clark as spokesperson for its "Formula for Life" vitamin launch this summer. Both nutritional lines of Rexall-Sundown are participating in the new Air Miles program, launched this spring by a group of manufacturers including Proctor & Gamble and Frito-Lay. For each proof of purchase, the Air Miles program offers air mile credit toward travel awards on major airlines.

Horton & Converse's Koon says he thinks Centrum's occasional consumer premiums are effective and explains, "sometimes they throw in sunscreen or samples." Sports is another way to convey the vitamin message. Jameson Pharmaceutical recently added three high-visibility products to its line of over 300 nutritional products. Jameson, which is an official supplier of the U.S. Olympic committee, recently shipped the three vitamin formulas in a marketing tie-in with the Summer Games.

Multivitamins, covering the "A-to-Z" spectrum, are positioned as all-purpose or are targeted to different age groups.

Vitamin segments

The vitamin market provides opportunities for overlapping sales: One type of consumer purchases a single multivitamin supplement, while another buys separate vitamins, and yet a third combines multivitamins and single products.

Multivitamins, covering the so-called "A-to-Z" spectrum, are positioned as all-purpose or are targeted to different age groups: the active consumer, seniors and kids. Centrum offers a full line of multivitamins but its popular Centrum Silver is targeted to seniors. Theragran's flagship product, Theragran-M, is primarily targeted to active women over 45. Says product manager Christopher Nadai: "With the aging of the baby boomers, we feel that the line is correctly positioned to take advantage of this trend without launching a senior line."

Theragran aims ads at active consumers by emphasizing that it offers more B and C vitamins than other national brand multivitamins. Nature Made emphasizes its natural ingredients and targets all age groups for its Nature Made and Essential Balance high potency multivitamin lines. With the spotlight on recent vitamin studies, some manufacturers are reformulating their multivitamins. The Essential Balance line promotes "now more antioxidants" on its package. One of its latest introductions is a separate Antioxidant A (beta carotene) and C and E. Theragran and Rexall's Plenamins Plus also highlight beta carotene on their packaging.

Children's vitamins

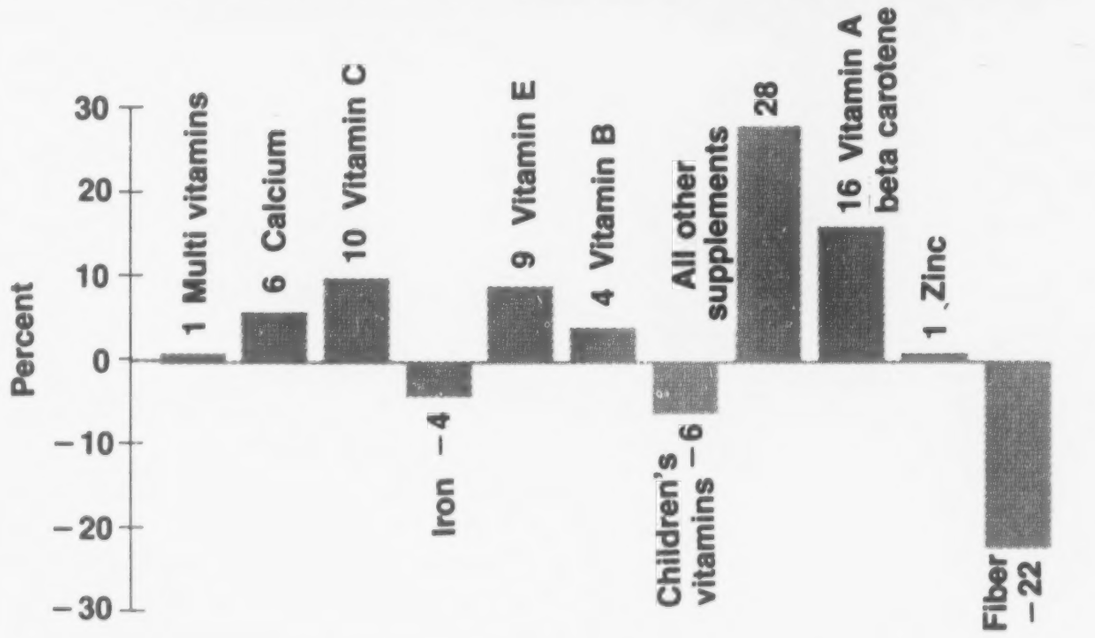
Children's vitamins are a projected growth segment, according to Frost & Sullivan's latest report, which predicts children's vitamin sales in all outlets will reach $323 million by 1994, up from $280 million in 1989. But Koon at Horton & Converse says he hasn't seen big growth in this segment yet.

"We do a fair business when our store is near a pediatrician and there are kids in the area. But the line extensions have gone through the roof—Bugs Bunny, Superman—it's just more choice."

With more studies on the way and with aging baby boomers a prime market for health-enhancing anti-aging regimens, the future of dietary supplements looks promising. Developments in other countries could also result in a boost to U.S. vitamin business, or as one manufacturer notes: "Effervescent products are very popular in Europe and Canada. That's a possible area for future category expansion." ■

Dollar volume percent change by vitamin sub-categories

(12 months ending May 1992 vs. May 1991)



Source: Towne-Oller and Associates/Drug Store Audit.

Changes at FDA offer hope for OTC switches

As a long caravan of widely used and popular prescription drugs negotiates the path toward OTC status in coming years, manufacturers can expect to encounter a changing landscape full of challenging twists and turns.

New leadership and heralded changes at the Food and Drug Administration (FDA) have heightened the importance of OTCs in the federal government's bureaucratic hierarchy, and expectations are high that soon a new committee will be able to provide FDA with valuable input on switching matters.

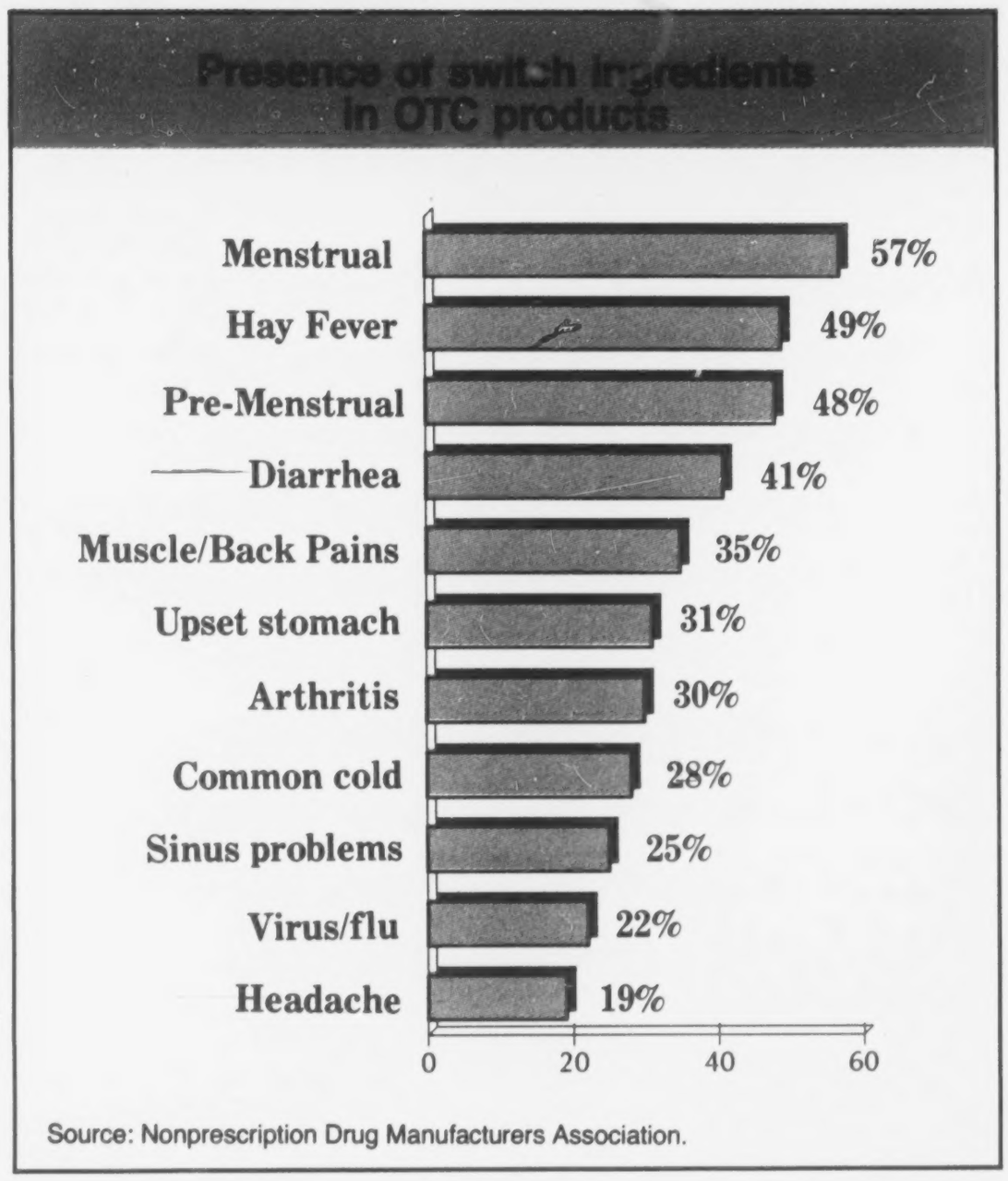
But for those who have been holding their breath, nearly a year has passed since the committee was authorized, and it awaits the appointment of members before the first meeting can be held. Designating OTCs as an office rather than a division has changed the FDA's organizational chart, but material results from the change are elusive.

"We do not have an actual date yet for our first committee meeting other than to say sometime this fall," said Michael Kennedy, director of the OTC drug policy staff with the Office of OTC Drug Evaluation. "As soon as we do get something confirmed, we will be anxious to publicize it. When we get everyone together and get things rolling, they will be quite busy."

So far, one member representing the Nonprescription Drug Manufacturers Association (NDMA) has been appointed, but others have yet to be approved by David Kessler, FDA commissioner

"The advisory committee was done at our strong urging," according to Jack Walden, NDMA's director of public affairs. "For a number of years we have pushed for that, and I see the committee helping out on switch matters."

According to FDA committee management officer Donna Comb, a meeting this fall is probably overly ambitious.



Source: Nonprescription Drug Manufacturers Association.

There are background checks and conflict of interest disclosures to be made along with a host of correspondence that must be exchanged prior to appointee confirmations.

"It is a time consuming process and I would guess that they might not be able to meet until next year," Comb said.

When the group does begin holding its quarterly meetings, its broad mission is to "review and evaluate available data concerning the safety and effectiveness of OTC human drug products for use in the treatment of a broad spectrum of human symptoms and diseases." It is also charged with "advising the commission either on the promulgation of monographs establishing conditions under which these drugs are generally recognized as safe and effective and not misbranded, or on the approval of new drug applications," according to the committee's mission statement.

The committee will also serve as a forum for the exchange of views regarding the prescription and nonprescription status of various drug products and combinations. It may also conduct peer review of agency sponsored intramural and extramural scientific biomedical programs in support of the FDA's mission and regulatory responsibilities.

The group's agenda is still under debate, according to Kennedy, because the 10 members who will serve represent a variety of interests.

"NDMA is going to propose formally that they allow time for an orientation from us, those who actually make the medicines," said Jack Walden, the NDMA's director of public affairs. "The committee ought to know who we are and see us as an industry before they take on the job of helping the FDA regulate us."

Ed Marlowe, a retired Warner-Lambert executive and consultant, will serve as NDMA's representative, and he expects to raise issues such as inconsistencies in monographs, warnings and a variety of concerns relating to labeling.

Other changes reflective of the new attitude the FDA has taken toward OTCs is the restructuring of OTCs from a division to an office.

"Essentially, what we have done is elevated OTCs in the hierarchy and eliminated another layer that they were under before," said FDA spokesman Mike Shaffer. "The people responsible for the OTC activities now are higher level individuals and that is a measure of importance of what goes on there."

Whether the beneficiary of those changes will be the Rx-to-OTC switching process remains to be seen.

"My understanding is that the FDA's budget and manpower limitations will remain the same. In terms of what [the Office of OTC Drug Evaluation] actually does, there won't be a significant difference," Shaffer said.

With the OTC restructuring, plans call for an expansion of medical staff to assist in the review of OTCs.

"Although we don't have it yet, there is a section set aside for OTC review," said Melvin Lessing, special assistant to the director of the monograph review staff with the Office of OTC Drug Evaluation. "Right now it is only on paper, but if it is created, that would bolster the office quite a bit."

As for what function a review board would serve, Lessing said, "It is really hard to say what you are going to do with something you don't have yet."

"Right now the office is pretty much on paper," agreed NDMA's Walden. "You can't make a difference in switch matters if you don't have medical expertise that you can tap."

Nevertheless, Walden is optimistic Kessler will hold good on his pledge to increase the prominence of the OTC office.

Continued on next page

A third class idea: Pharmacist-dispensed OTCs

Long waits at pharmacies, high prices and OTC products disappearing from retailers' shelves will become reality for American consumers under a three class drug system, according to a new video by the Nonprescription Drug Manufacturers Association.

Proponents of a third class of drugs would dispute those claims, but that is the impression given from viewing, "Less for More: A 3rd Class Idea," a seven-minute videotape produced by NDMA.

"Either a drug is safe for consumers to use on their own, or it is safe for use only with a doctor's supervision. There are no halfway measures," according to the NDMA.

Debate over the third class of drugs remains heated even though there are no specific proposals on the table at the national level to establish a class of drugs that would be dispensed by pharmacists. Expected to add fuel to the fire is a General Accounting Office report due out this fall on the use of transitional drug classes in other countries. The United States and South Africa are the only two industrialized nations that do not have a three-tier system. The study was requested by Rep. John Dingell (D-Mich.).

Further blurring the case both for and against a third class of pharmacist-dispensed medications are conflicting results from different studies on how well patients are able to self medicate and read labels.

> *'If it is not safe, keep it prescription. The system now works, so leave it alone.'*
>
> **—NDMA.**

The American Pharmaceutical Association points to figures compiled by the National Council on Patient Information and Education indicating that 50 percent of all medications are taken incorrectly.

Conversely, NDMA recently completed a survey that shows people are cautious and careful when they do turn to nonprescription medicines, and most people read the instructions on the label before taking a nonprescription medication for the first time.

Ninety-four percent of those surveyed by the NDMA agreed with the statement, "even though a medication is available without a prescription, one should take care when using it."

"If it is not safe, keep it prescription," said NDMA director of public affairs, Jack Walden. "The system now works, so leave it alone. Leave it in the hands of the doctors if a safety profile has not been established. We see no need for a halfway house."

While NDMA believes consumers are able to self-medicate responsibly, Pharmacists Planning Service Inc., a California-based activist organization, contends many OTCs are safe as long as consumers are counseled about their proper use.

The organization, founded in 1972 by Sausalito pharmacist Fred Mayer, recently had a request to create a transitional class denied by the FDA. The request outlined numerous examples of problems and abuses that stem from incorrect OTC use, but FDA ruled that a third class is not necessary and questioned its own legal authority to establish a transitional class.

Industry trade groups are also split on the transitional issue. National Association of Chain Drug Stores spokesman Steve Perlowski said "the issue is under review and we are still looking into it."

Other, more pharmacist-oriented trade groups, such as APhA, have supported creating a third class of drugs since 1964.

APhA views the trend toward OTC switches as an opportunity for pharmacists to expand their role as providers of health information and counseling, according to spokeswoman Melanie Privette. With more OTC products available, APhA believes a pharmacist-only class is necessary to ensure drugs are taken correctly and serious side effects don't develop.

Also supporting the transitional class idea is the Washington D.C.-based National Consumer League. Spokeswoman Mary Ponder said she doesn't understand why there is such reluctance to the idea.

"A transition class of drugs will not reduce access to medications," Ponder said. "What we have seen happen in other countries that have a three-class system is that there is earlier access for consumers."

According to Ponder, the large number of prescription drugs likely to pursue the OTC route in coming years could prompt NDMA to alter its long-standing opposition to the creation of a transitional class.

"If they feel approvals are being held up because of the FDA's heavy load, they may take another look at the idea," Ponder said.

Some Rx/OTC statistics

- Americans spent **$11.3 billion** on OTC products in 1990.
- The typical cost of an OTC product is about **$4**, compared to an average prescription price of **$24**, or **$40** visit to the doctor.
- Americans treat **90 percent** of their health complaints without seeing a doctor.
- More than **400** OTC products use ingredients and dosages available only by prescription just 15 years ago.
- **Thirty-three** drugs that have yet to be approved for OTC sales in the United States are available without prescription in other industrialized nations.

Source: NDMA.

Changes at the FDA offer hope

Continued from previous page

"We think Kessler meant what he said at the time the office was formed–that OTCs will get more attention," Walden said.

Most in the drug industry expect to see as many as 50 potential switch candidates in the next five years. Expected to fuel the switching process are rising health care costs, an increasing number of people turning to self-medication, and a strong demand for over-the-counter remedies.

"We are looking for a significant increase in the number of Rx-to-OTC switches in the next few years," said Tom Simone, president of McKesson Drug. "We expect a number of ethical manufacturers will come out with OTC versions of their pharmaceutical products. It is a better route for them to take because it allows them to protect their brand rather than face competition from generic drugs."

By going the OTC route when their brand is nearing the end of patent protection, manufacturers can obtain three more years of marketing exclusivity for the product.

C5150-2

The newspaper of chain drug retailing

August 17, 1992

DRUG STORE NEWS®

Vol. 14 No. 15

A Lebhar-Friedman publication

Eckerd hangs tough in chainwide restructure

By Mike Troy

CLEARWATER, Fla. — Jack Eckerd Corp. is revamping its organization to reduce operating costs so it can be more price competitive, bring decision making closer to store level and strengthen its pharmacy franchise.

The restructure reduces from eight to six its number of operating regions, and in a streamlining over the next year a loss of 600 positions, most through attritions and retirements, said company spokesman Gene Ormond.

One well-known executive who has left is vp-merchandising Doug Bailey, a 22-year company veteran. He has formed a venture capital firm and is also considering teaching a college level marketing course.

The restructuring's impact on the buying staff and relations with suppliers is not clear at this time. "Although minimal, there have been some responsibility shifts in the merchandising organization that will facilitate our business relationships with suppliers," Ormond said.

Turley
Making stores proactive

Overall, said Stewart Turley, Eckerd ceo, the company seeks "to improve store operations by reducing the layers of management between headquarters and stores, and streamlining communications and reporting."

New pharmacy alignment

One area of significant change is in pharmacy operations where there have been several personnel changes. Store level pharmacists will

See **Eckerd** *page 25*

Scandal rocks Phar-Mor

Expansion plans derailed, vendor support threatened

By James Frederick

YOUNGSTOWN, Ohio — Phar-Mor, the nation's leading deep discount drug chain, has been staggered by a major financial scandal involving its former president and cfo. The scandal threatens to undermine the company's support from vendors and financial backers, and it has already forced a pullback on expansion plans and a series of harsh cost-cutting moves.

Phar-Mor on July 31 fired former president and chief operating officer Michael "Mickey" Monus and former cfo Patrick Finn for allegedly participating in what the company called "a fraud and embezzlement scheme totaling some $350 million and including criminal activity." At the same time, the company also sacked Jeff Wolley, vp of finance and Stanley Cherelstein, controller.

To account for the losses, the company will take a one-time write-off of $350 million in the second quarter of the current fiscal year. Phar-Mor has also put expansion on hold, although 10 new stores will open as scheduled through the end of August. *(See story on 300th store opening, p. 3.)* Ironically, the company went ahead with four simultaneous grand openings on Aug. 5 in Taylor and Flint, Mich., Waterloo, Iowa and Marion, Ohio.

Monus
An abrupt ending

"Those scheduled to open from September on, we're evaluating," said Phar-Mor spokesman Paul Froehlich.

Other responses to the crisis were also quick in coming. In a bid to cut costs and shore up profitability, the chain immediately targeted its merchandise mix for underperforming categories and within a week had instituted a series of deep cuts in personnel at headquarters. By Aug. 6, the chain had laid off 125 of the 800 employees at headquarters, including middle and lower management, support staff and adminstrative people.

See **Phar-Mor** *page 25*

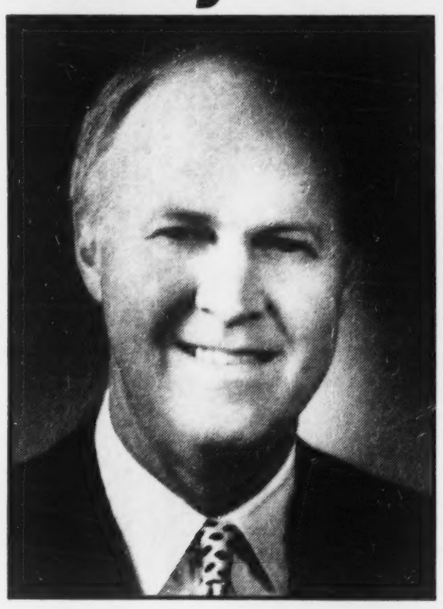
Hoven assumes presidency to lead Revco in new era

TWINSBURG, Ohio — D. Dwayne Hoven, a popular executive whose steady, low-key approach and consensus management style helped guide Revco through the tumultuous aftermath of its emergence from bankruptcy, has been named president and chief operating officer by Revco's new board of directors.

Hoven succeeds his former boss, then-ceo and chairman Boake Sells, as Revco's top executive. There are no plans to create another ceo position, said Revco board member David Schulte.

"Dwayne has the top job, period," said Schulte.

The choice of Hoven came less than two months after Revco's board fired Sells and announced plans to form a search committee for a successor. "The search committee never even hired an outside recruiter," Schulte told *Drug Store News*. "We concluded there was an inside choice who was ideal."



Hoven and the prototype: keys to Revco's future

Hoven, 50, joined Revco as part of Sells' incoming management team in 1987. He has overseen marketing, merchandising, distribution, loss prevention and store and pharmacy operations as one of Revco's top executives and a member of the executive committee. He was named executive vp-marketing and stores following this year's departure of Jim Adamson. He was part of a four-man team of core managers that has guided Revco on an interim basis since Sells left in June.

"Dwayne Hoven has shown himself to be an exceptional leader," noted board members Talton Embry and Sam Zell in a joint statement. "In addition to his people skills, he has a breadth of knowledge and experience, having directed store operations, distribution, warehousing and marketing. It's because of our confidence in his strong abilities that the board has entrusted him with the leadership of Revco."

Executive vp-finance/cfo Greg Raven, also on the interim team, praised Hoven. "He's an outstanding choice," Raven told *Drug Store News*. "No. 1, he's highly qualified; and No. 2, it creates a lot less disruption than bringing in someone from outside."

In a related development, Revco's 11-member board named its two most powerful

See **Hoven** *page 17*

Seltzer departs

TWINSBURG, Ohio — Bill Seltzer, who for the past five years has spearheaded Revco's automation and systems efforts, has left to take a similar post at Office Depot in Miami.

Seltzer was senior vp-distribution and systems, and led Revco's successful efforts to overhaul third-party billing/adjudication systems, POS technology, pharmacy computers, purchasing and inventory movement. He also oversaw chainwide installation of POS scanners and Prescription Access Link (PAL), Revco's on-line pharmacy computer system.

Kids' toiletries for all year 9
Nielsen highlights 13
Special report on Revco 17

NEWS IN BRIEF

Rite Aid sues on Maine Medco issue

CAMP HILL, PA. — The latest development in the battle between Rite Aid and the state of Maine is a suit filed by the chain with the state's Superior Court.

The claim, filed against the state, the Department of Financial and Administrative Services and Medco Containment Services, charges that Medco (the company selected to administer the state employees' prescription program) violated state law by failing to allow local pharmacies to participate fully in the program.

FoxMeyer/Perry supplier pact signed

DALLAS — FoxMeyer Corp. has won the role as primary supplier of pharmaceuticals and other products to Perry Drug Stores, effective in September. FoxMeyer will replace Perry's current primary wholesaler, McKesson Drug Company, with this new, multi-year contract.

Cosmetic Center opens No. 39

CHANTILLY, Va. — The Cosmetic Center, a chain of specialty beauty care stores headquartered in Maryland, has opened a new store here. It is the chain's 39th and its 17th in the Washington metro market.

Warehouse clubs advance to $29B

NEW YORK, N.Y. — A recent study by Packaged Facts shows that the market for warehouse membership clubs grew 34 percent to $29 billion in 1991. David Weiss, Packaged Facts president, predicts that clubs will continue to grow over the next four years since they fit the tenor of the 90s, which he calls the "reality decade."

Bibelhausen gets Revco regional post

TWINSBURG, Ohio — Revco D.S. has named former Cleveland district manager Keith Bibelhausen regional director of operations for the chain's Northern region.

Bibelhausen, 37, will oversee nine Revco operating districts and 180 stores in Ohio, Tennessee and West Virginia, and will report to regional vp Richard Mergo. He joined Revco as a district manager in 1988, and in fiscal 1991, received Revco's District Manager of the Year award, along with its shrink improvement award. He has also served at Eckerd Drug and Gray Drug Fair.

In another move, Revco promoted Donald Tomoff to director of general accounting. Tomoff, 33, had served since early 1991 as manager of financial reporting and worked six years at Price Waterhouse in Cleveland.

PayLess' Barker promoted

Barker

WILSONVILLE, Ore. — Gordon Barker, a 24-year veteran of PayLess Drug Stores, has been named executive vp of the 418-store chain and will head up the recently purchased 124-store Pay 'n Save chain based in Seattle. Barker most recently held the position of senior vp of operations.

"This move makes sense in light of our rapid growth in the past few years and our anticipated future growth," remarked Tim McAlear, president and ceo. During his career with PayLess, Barker has served in a range of positions from pharmacist, store manager and district manager to special projects manager, vp of pharmacy sales and senior vp of pharmacy.

IN THIS ISSUE

FEATURES

Children's Toiletries 9-10
Nielsen Highlights 13
Special Report: Revco ... 17-21

COSMETICS AND FRAGRANCES

Beauty Beat 6

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Supplier News 8
Store Manager Training 22
Finance 26

PayLess targets Utah growth with new stores and DC

By James Frederick

TAYLORSVILLE, Utah — Celebrating the end of its first year of operations in Utah—a state earmarked for rapid growth—PayLess Drug Stores unveiled its first newly built store here and prepared to break ground on a 610,000-square-foot distribution center in Ogden, Utah.

The newly built PayLess is a 32,000-square-foot (27,900 selling) "45" model, so named because its interior aisles radiate outward from a central cosmetics bullpen at 45-degree angles toward prominent core departments at the perimeters. Located just south of Salt Lake City, the store is the 21st PayLess unit in the state and the first to be built from the ground up since the chain bought 20 former Osco drug stores from American Drug Stores in 1991.

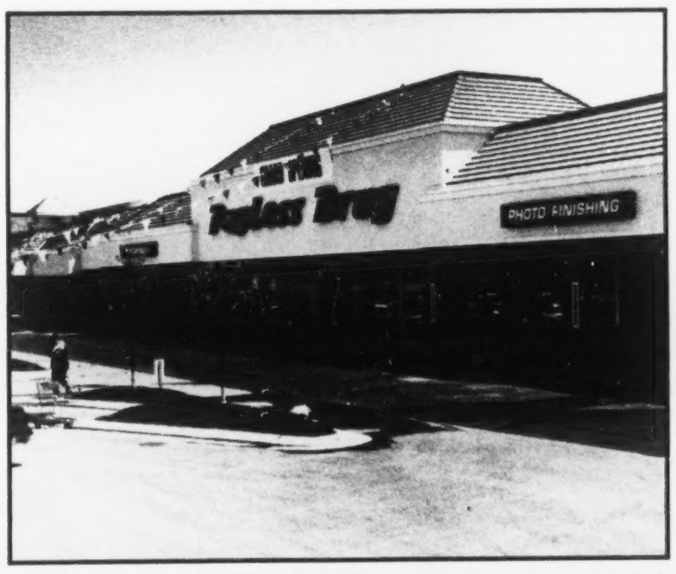
The grand opening for the store was tied to the chain's one-year, statewide anniversary celebration and sale. PayLess officials cited rapidly rising sales in Utah as growing numbers of consumers discovered the chain's penchant for broad selection, strong pharmacy, responsive service and wide-open, strikingly merchandised stores.

"Here, we're still trying to establish what we're about to the customer, but when they walk in to the store and see the bright floors and the presentation, their first reaction is 'wow'," said Rob Lambrecht, district manager for all but one of the Utah Pay Less stores. "We've worked very hard with the layouts, the signing and our presentation in these stores."

Utah consumers are responding to PayLess' dramatic, angled store format in steadily growing numbers, say local company managers.

PayLess has put a high premium in growth in the state. Its expansion here began in February of this year, when it relocated a small former Osco drug store in Bountiful, north of Salt Lake City, to a much larger location in a former Albertson's supermarket. A total of six new stores are scheduled for opening this year, including a September opening outside Ogden, an October opening in Layton and probable November openings for Park City and Salt Lake City.

The last will open in the well-known Salt Lake district, Sugarhouse, in a former Dan's Food and Drug. Two former Oscos in the state have also been totally remodeled in line with the "45" prototype.



PayLess signaled its bold growth plans here with the opening of its first newly built store.

Lambrecht forecasted that "by the end of the year, we'll employ 1,100 or 1,200 people in the state. By late next year, we'll probably be looking at adding a second district manager." He also praised the state's work force as highly motivated.

Lambrecht and store manager Bobby Seim said several factors weight in PayLess' favor in Osco's former backyard. One big one is resources: the chain was able to convert all logos and revamp the merchandise mix and departmental presentation in the stores shortly after the takeover last year, adopting PayLess' highly sophisticated systems for distribution, purchasing, pricing and planogramming. Since the spring, all but two stores have also been converted to POS scanning.

Deliveries a plus

Twice-weekly deliveries from Wilsonville are also a big plus, according to the store manager. "With Osco, we only ordered once a week," said Seim, noting better in-stock positions and turns.

Another factor behind PayLess' successful entry has been the chain's rapid growth. With 417 stores now open in 10 states and the addition of the 124 Pay 'n Save stores, there is plenty of room for advancement. Three assistant managers from the Salt Lake district have already been sent to Wilsonville for Pay Less' "Top Gun" accelerated management training program.

Shoppers Drug Mart pumps earnings for Imasco; comp sales up 5.6%

MONTREAL — Shoppers Drug Mart was again top performer for Imasco Ltd., the diversified holding company. The chain, which is nearing the 700-store mark across Canada, reported a 10 percent jump in operating earnings for the second quarter ended June 30.

Operating income rose to $20.7 million (Canadian) for the period, and to $39.5 million for the first half of fiscal 1992.

"Shoppers Drug Mart/Pharmaprix is growing steadily despite the weak retail environment," said Purdy Crawford, Imasco chairman and ceo. "Comparable store sales were up 5.6 percent in the second quarter and 4.7 percent for the six months."

The gains came despite what Imasco recently called "serious challenges" for all Canadian retailers. Among those challenges: a steady decline in consumer confidence, weakening retail sales, aggressive price competition, loss of shoppers who cross the border to the U.S. and implementation of the federal government's GST tax structure in early 1991.

Shoppers responded to these challenges by cutting overhead, negotiating lower merchandise costs, cutting prices in stores and advertising more aggressively.

The chain last year launched "Shoppers Best Buys," a discount program on hundreds of unadvertised everyday items, added more in-store postal outlets, launched the Express Photo one-hour service and pushed hard to boost higher-margin private label sales, which now account for roughly 7 percent of total sales.

AACP's Pharm.D. approach: rational, fair

IN THE MARKET
BRUCE BUCKLEY

There are some key points to be made on the recent position taken by the American Association of Colleges of Pharmacy on the mandatory six-year Pharm.D. degree. The issue, of course, is crucial to community pharmacy, both chains and independents, who employ the bulk of the nation's pharmacists.

First, even though the AACP came out in favor of a single entry-level doctoral degree for pharmacists, the association recommended that no deadline be set for implementing the new requirement.

The pharmacy educators recognized, quite rightly, that the deadline set by the ACPE for implementing a mandatory six-year Pharm.D.—the year 2000—would place too great a burden on the nation's 75 pharmacy schools as well as on the profession in general. ACPE would do well to go along with their recommendation.

Second, AACP wants the Pharm.D. implementation planning process to be developed *with the full participation of all stakeholders in pharmaceutical education* (emphasis added).

What's more, the association supports "a rational, carefully thought-out approach of refining pharmacy education to produce graduates adequately prepared to provide pharmaceutical care in a variety of practice areas."

AACP's urging that "all stakeholders" be involved in the planning process and that pharmacy education be refined to prepare for a variety of practice settings is a clear recognition that pharmacy is a diverse profession, with many competing needs, not the least of which are those of retail practice.

So, although the AACP's position may not be completely acceptable to all, it is at least a rational approach to the planning process which takes into account the interests of all segments of the pharmacy profession. And that is a big plus.

* * *

The economy has been sluggish and so have retail sales, but are drug retailers ready for new political direction?

I'd like to know, and I don't think it's too early to begin polling readers on their choices in this presidential election year. To that end, I'm launching a Bush/Clinton straw poll.

Check your choices below and FAX it to me (212-756-5250) or drop your ballot in the mail to *Drug Store News* Straw Poll, 425 Park Ave., New York, N.Y. 10022.

No need to identify yourself. To make it more interesting, I'm separating presidential and vice-presidential choices.

Bush [ ] **Quayle** [ ]

Clinton [ ] **Gore** [ ]

Comments . . . . . .

. . . . . .

I'll report on the results in a future issue.

FTC steps toward green ground rules

WASHINGTON PERSPECTIVE
KEN RANKIN

In today's marketplace, environmentalism is a cash crop.

There's gold beneath all that green, and the marketers of hundreds of drug store products—from shampoo to shoe polish—are anxious to convey the impression that their brand is "environmentally friendly."

But with advertisers cashing in on terms such as "recycled," "recyclable," "biodegradable," and "environmentally safe," regulatory agencies in scores of states, cities and counties are moving to protect the public from misleading or deceptive environmental claims.

A number of states and localities have already adopted their own ground rules governing "green" product claims. As a result, what's "recyclable" in Pittsburgh might not be in Poughkeepsie.

Conflicting federal, state and local standards for environmental product claims are likely to discourage manufacturers and retailers from engaging in this kind of advertising at all.

If that happens, consumers will be deprived of truthful information upon which to base environmentally responsible buying decisions.

Clearly, this is an area that requires national standards.

The good news is that the Federal Trade Commission has taken the initiative by issuing a detailed new set of industry "Guides for the use of Environmental Marketing Claims."

According to the agency, these standards are intended to offer a "safe harbor" for marketers to use in crafting "green" product claims.

The bad news is that the FTC's guides may not prove to be particularly useful for advertisers seeking a bright line separating acceptable claims from deception.

Does recycled material have to equal 100%

Take one specific example advanced by the FTC to illustrate the new guides:

Advertiser "X" claims that "our plastic diaper liner has the most recycled content." As a percentage of weight, the company's diaper does indeed contain more recycled material than competing products, but it is still far less than 100 percent recycled. Is the manufacturer's claim deceptive?

The FTC's answer:

"Provided the recycled content and the comparative difference between the product and those of competitors are significant and provided the specific comparison can be substantiated, the claim is not deceptive."

That's a lot of weaseling, even by government standards.

But even if you sift through the tangled examples and garbled ground rules, the "safe harbor" offered by the FTC's new guides may offer little protection for manufacturers or retailers.

Indeed, the FTC officials prefaced their new guides by stressing that they will not pre-empt other federal, state or local rules governing such claims.

An advertiser could comply with the letter and the spirit of the new FTC guides and still be in hot water with other state, local or federal enforcers.

Conversely, a marketer's "compliance with federal, state or local law and regulations concerning such claims. . . will not necessarily preclude Commission law enforcement action," the agency acknowledged.

Instead of replacing the present unpredictable patchwork of environmental ad rules and regulations with a straightforward national standard, the FTC seems content to ladle on another layer of uncertainty.

DRUG STORE NEWS®
is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickson**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Kevin Mann Rite Aid Corp.
Tim McAlear Pay Less Drug Stores
David Morocco Brooks Drug
Frank Newman F & M Distributors
Allan Patrick Genovese Drug Stores Inc.
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

NIELSEN HIGHLIGHTS

Marketing focus: Deodorants

This category had all outlet sales of $1.08 billion during the 52 weeks ending Mar. 16, 1991 (down 3 percent against 1990). Unit sales of 557 million were up 2 percent from last year. The average price reported by consumers was $1.94 per unit, a decrease of 4 percent from 1990. (Units are the total number of items purchased, not equivalized.)

Household penetration declined by 1.2 points to 85.3 percent of the 94.7 million U.S. households. Each of the 80.8 million households purchasing the category this year spent an average of $13.38. They purchased the category at a rate of 5.1 times during the year, buying on average, 1.4 units on each occasion.

Consumers reported using coupons with 26 percent of their purchases (up 2 points from last year) and that 36 percent of the units were bought on some type of retailer promotion (up 3 points).

Trade channels share of all outlet unit sales

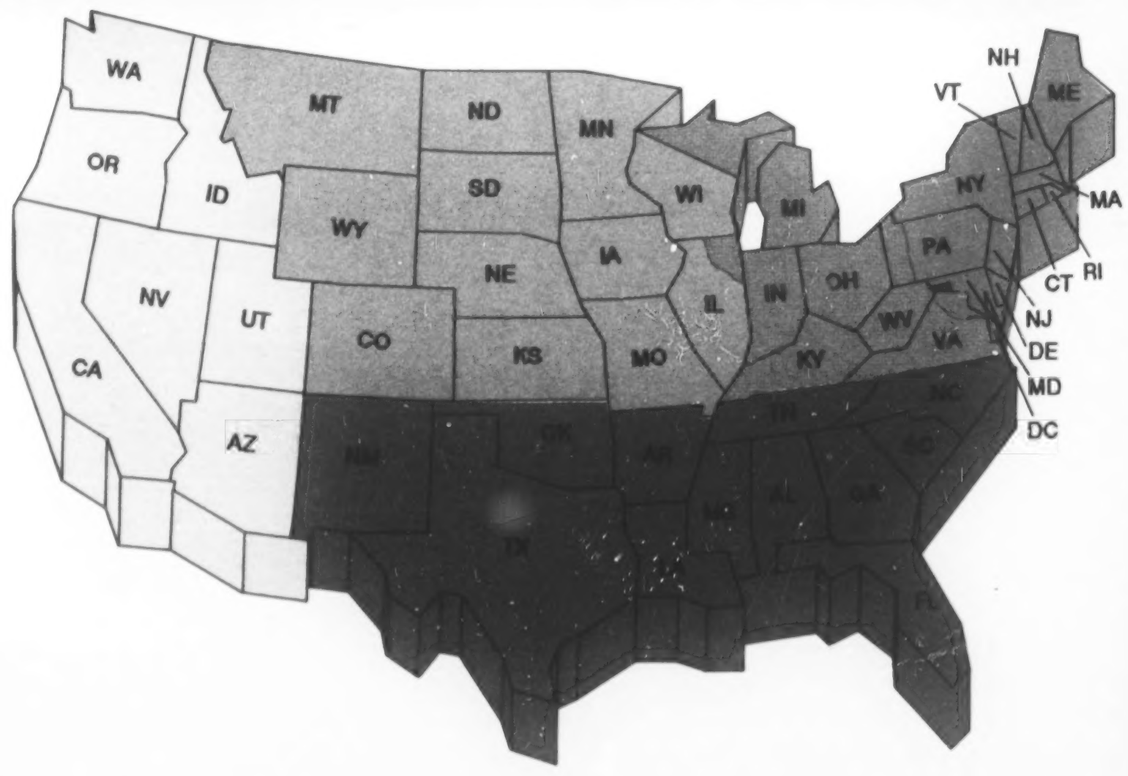
Trade channels	Percentage share of sales	Unit/buyer	Penetration
Supermarkets	46%	4.7	57%
Mass merchandiser	29	4.3	40
Drug store	18	3.3	31
Other food	4	2.4	9
Other non-food	2	2.2	5
Warehouse club	1	2.7	3
Convenience stores	<1	1.9	1

Source: Based on 60,546 actual 1991 purchase transactions.

Consumer characteristics

Lifestage group share of all outlet unit sales

Lifestage groups	Percentage share of sales	Index	Average price	Penetration
Maturing families	25%	119	$1.92	92%
Empty nesters	21	90	1.90	83
Established families	12	168	1.89	96
Mid-age couples/ no children	12	123	2.07	91
New families	9	106	1.95	91
Young couples/ no children	6	118	2.00	92
Mid-age singles	6	81	1.86	80
Older singles	6	45	1.87	65
Young singles	3	61	2.03	81



1991 Buyer characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	81%	62%	56%
Households with children<13	28	92	30	32
Households with any teenagers	14	96	16	22
White households	86	85	85	83
Black households	11	90	12	15
Hispanic households	6	93	7	8
Metro (A and B counties)	72	85	72	74
Households with cable	59	87	60	64

Purchase dynamics	1990	1991	Change
Household penetration	86.5%	85.3%	–1.2 pts
Purchase occasions (annual)	5.3	5.1	–3.4 %
Units per purchase	1.3	1.4	5.6%
Dollars per purchase	$2.59	$2.63	1.5%
One-time buyers	13%	13%	0 pts
Male primary purchase	23%	27%	4 pts

Geographic region share of all outlet unit sales

Geographic region	Percentage share of sales	Index	Average price	Penetration
South	33%	108	$1.92	88
Northeast	22	99	1.97	83
West Central	16	99	1.93	84
Pacific	15	85	2.06	83
East Central	14	106	1.84	88

Source: Based on 121,246 actual purchase transactions.

Other definitions
1. Index: 100 equals average household buying level.
2. Penetration: Percentage of households purchasing at least once during measured period.
3. Price: Average price paid.
4. Unit/buyer: Units purchased by household during measurement period.

Source: Nielsen Marketing Research, NPD/Nielsen Inc.

Lifestage groups: What they mean
Young singles: Single-member households. Ages 18-34.
Young couples: No children. Age range 18-44.
New families: Couples with children under 6.
Maturing families: Couples with children under 12.
Established families: Couples with teen-age children.
Middle-age singles: Single-member households. Ages 35-54.
Middle-age couples: No children. Ages 35-54.
Empty-nesters: Two-plus-member households. Ages 55 or older.
Older singles: Single-member households. Ages 55 or older.

DRUG STORE NEWS®

for the PHARMACIST

VOL. 2/NO. 8 | The Journal of Retail Pharmacy | AUGUST 17, 1992

NEWS FOCUS

- Recent federal charges of drug diversion and billing fraud by Medicaid pharmacists haven't soured the American public on pharmacy. Results of a new Gallup Poll announced just last month ranked pharmacists as the nation's most trusted profession for the fourth straight year. A record 66 percent gave pharmacists" "high" or "very high" marks for honesty and ethics—up from 60 percent in a similar poll in 1991.

- Legislation granting states additional time to comply with the September 14 Prescription Drug Marketing Act wholesaler licensing deadline was introduced by Sens. Edward Kennedy (D-MA) and Orrin Hatch (R-UT) earlier this month *(see story page 57)*. At press-time, NWDA and other backers of the bill were prodding Congress to vote on the measure before recessing for this month's GOP convention.

- OBRA '90 rules requiring drug manufacturers to offer their "best price" to Medicaid shouldn't be changed, even though they may be hurting pharmacists, APhA told Congress. "While we're concerned that best price may have adversely affected some of our members in the short term, it has the potential to reduce the negative effects of discriminatory pricing," APhA said. "This will benefit the public generally and lay the foundation for moving away from a product-driven payment system to a system which recognizes pharmacy services such as counseling and drug therapy management."

One more year!
But can we afford it?

The New Pharm.D. proposal graduates to mixed reactions. Will the professional upgrade impede the entry of pharmacists and—starting at around $30 million per graduating year—inflate industry costs?

Cover story on recent developments in the pharmacy education debate begins on page 23.

Technician training Part 2	34
CE: Warfarin anticoagulation	63

℞ for the PHARMACIST

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

Publisher **JILL MANEE**
Editor **BRUCE BUCKLEY**
Pharmacy Editor **DIANNE THARP, R.Ph.**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

REGIONAL SALES OFFICES

New York (212) 756-5220
Nat'l Accounts Manager: **Larry Krongold**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Area Manager: **Amanda Cimon**

Art Director **Bob Brokman**
Graphic Artist **Cate Johnson**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION AND CE
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director **Matthew J. Clancy, Sr.**
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**
CE Administrator **Latara Clements**

Board of Pharmacy Advisers
Clarence Archer Wal-Mart
Marty Belitz Shoppers Drug Mart
Frank Deardorff IMS America
Len DeMino NACDS
Phillip R. Engle Bergen Brunswig Corp.
Robert King FoxMeyer Corp.
Howard Kramer Kmart Corp.
Tom Simone McKesson Corp.
Saul Schneider K&B Inc.
Al Sebok Revco D.S. Inc.
Bob Shapiro Perry Drug Stores Inc.

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Treasurer **Daniel J. Mills**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Publisher of Accounting Today, Drug Store News, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

editor's note

Medical ethics prompt pharmacist action

I see that Dr. Jack Kevorkian, the Michigan "suicide doctor," had all charges against him dropped last month. The controversy over his response to challenges posed by dying patients makes me wonder if pharmacists will become directly involved in such life-and-death decisions? Given the vast arsenal of powerful medications we have today and will have tomorrow, the focus on quality of life issues and increasing patient involvement in personal health care outcomes, it is logical that pharmacy will somehow be involved.

Other professionals are addressing the same issue. The American Society of Law & Medicine, at its annual meeting this October, will feature a town hall meeting to discuss "Health Care Professionals and Treatment at the End of Life." Medical decisions that might be made at the end of life include withdrawing or withholding treatment, dilemmas regarding the management of pain and suffering and medically assisted suicides. For more information on this important conference, contact Kristin McCarthy, ASLM at (617) 262-4990.

* * *

On a happier note, I'm pleased to announce the appointment of the newest member to our Board of Advisers, Robert W. McCurdy, vp-pharmacy at Phar-Mor. Bob received his B.S. in Pharmacy degree from Ohio Northern University in 1965 and his Masters in Education from the University of Hartford in 1968. His early career in community pharmacy practice culminated in multi-store supervision. Today, he is active in many professional and community organizations.

Bob is married and has two children, one a pharmacy student and one in nursing school.

I'm sure Bob will provide valuable direction to keep our editorial content on target for community pharmacy practitioners. Thank you, Bob, for accepting this assignment.

Dianne M Tharp

table of contents

Pharm.D.'s impact on industry

The new Pharm.D. moves toward a national standard—at a starting price of around $30 million per graduating year. In parallel developments on the pharmacy education front, specialty certification expands and more states mandate key topics for Continuing Education. **Page 23.**

PDMA and drug distribution

The Prescription Drug Marketing Act threatens to halt wholesale drug distribution next month, due to an acute case of states' regulatory gridlock. Unless Congress acts fast to create an escape valve to the PDMA, pharmacists in dozens of states may not be able to order drugs through their wholesalers starting mid-September. **Page 57.**

News & Trends 3
Regional recap 6
My way of thinking 8
Independent focus 10
Managed care 12
Third-party news 12
Ask the expert 15
Dr. Xenakis 16
Association news 32
Technician training 34
Legal limits 39
Drug watch 45
OTC merchandiser 47
Different scripts 49
Technology corner 51
Association exec view 52
New products 54
Tabs and caps 58
Continuing education 63

Cough and cold — nothing to sneeze at!

A bleary-eyed and coughing customer paces near the pharmacy looking at the array of products available to treat cold symptoms. Faced with a host of sizes, strengths and formulations from which to choose, it's no wonder consumers frequently seek the advice of a pharmacist before purchasing a product.

"What should I take for my cold?" is a question pharmacists hear repeatedly and one they are likely to hear in the future even more often.

"I get asked about cough and cold medications all the time," said Tim Williamson, an Eckerd pharmacist in Tampa, Florida. "Our main goal is to ask the appropriate questions because we have to determine exactly what the problem is before we know which products to recommend. Depending on the patient's condition, there are a lot different products to choose from."

Pharmacists play a vital role as the category becomes more confusing to consumers.

Inquiries about various OTC medications are common, but as pharmacists know, it's cough and cold that generates the lion's share. Product line extensions, Rx-to-OTC switches, new formulations and name changes combine to make the category more and more perplexing to consumers. With those trends expected to continue and the move toward self-medication strengthening, pharmacist recommendations on cough and cold medications will certainly be sought with greater frequency.

Confusing to consumers

According to Rob Fritz, director of customer development with Burroughs Wellcome, cough and cold medications were recently cited in a national survey as being almost as confusing to consumers as buying a computer or insurance. "Confusion among consumers is increasingly becoming the case as more products and line extensions appear on shelves," Fritz said. "I don't see any let up ahead as far as manufacturers continuing to leverage their successful brands into additional SKUs."

Other manufacturers agree. Vince Termini, director of product marketing for Sandoz Consumer Products, said there is more knowledge among consumers regarding medications, but it is also more difficult to choose a product than in years past. "There are a lot more products and different types of them available now," Termini said. "Cough and cold is really an expanded category because people suffer from those conditions all year long. The pharmacist has to know the difference between the types of conditions and products that treat those conditions."

Typically, a pharmacist will make an average of 15 OTC recommendation daily, according to a survey conducted by P.M. Healthcare Communications. Nearly 90 percent of the time the recommendation is followed. That's a lot of clout, and trends indicate the pharmacist's importance in counseling will only increase as self-medication trends continue.

The common cold topped the list of most frequently reported ailments in the Nonprescription Drug Manufacturers Association's recent self-medication study. Of those surveyed who reported a problem in the past two weeks, 32 percent said they suffered from a cold, followed by muscle aches/pain. Colds ranked behind headaches, athlete's foot and lip problems as a condition survey respondents would likely treat with an OTC medication. ■

Cough/cold sales growth at drug outpaces food

	1991		1992	
	Drug	Food	Drug	Food
Cough/cold	347,093,569	387,250,841	357,918,300	388,086,844
Allergy	65,288,438	51,443,112	68,215,839	53,745,105
Sinus	44,077,126	57,228,197	44,161,482	55,722,607

Source: Towne-Oller and Associates, Inc. (Note: sales at retail)

Attacks on cough/cold category continue

As if the cough and cold category isn't already confusing enough for consumers, throw in congressmen, the FDA and an upcoming General Accounting Office study to further mystify things.

For example, the FDA recently proposed new drug interaction precaution labeling for over-the-counter antitussive drug products containing dextromethorphan or dextromethorphan hydrobromide.

"These drug products should not be used by individuals who are taking a prescription drug containing a monoamine oxidase inhibitor, without first consulting their doctor," reads the proposed labeling. Consumers may read OTC labels, but will they know if they're taking a monoamine oxidase inhibitor?

"The FDA is aware that monoamine oxidase inhibitor and MAOI are highly technical terms that the average consumer may not recognize or understand," according to the proposal published in the Federal Register. "On the other hand, the agency believes that use of these terms in the precaution statement is justified because the more general term depression may not alert everyone who is taking an MAOI drug."

This certainly underscores the value of the pharmacist in clarifying terms like these that appear in OTC labeling.

Elsewhere in the category, hearings this spring on the effectiveness of antihistamines, by Ted Weiss, (D-NY), chairman of the House Human Resources and Intergovernmental Relations Subcommittee, has NDMA up in arms.

In response, the OTC group has submitted to FDA three volumes of data relating to the effectiveness of antihistamines in relieving symptoms of the common cold.

Before Weiss' committee, NDMA cited clinical studies involving about 14,000 cold episodes and eight different products to demonstrate effectiveness. Other materials provided to FDA rely on 24 published and unpublished studies that further support the antihistamine argument.

"There are no reasonably well designed clinical studies in adults for OTC antihistamines that do not show at least a positive trend toward relief of target symptoms," NDMA asserts.

Attacks on cough and cold remedies are likely to continue when a GAO report is released on the category. Weiss has requested the watchdog agency examine the FDA's review of cold medications, much in the same way it looked at the FDA's overall OTC procedures and issued a critical report.

These findings were off-base, in NDMA's opinion.

No word on when the GAO will release its cough and cold findings.

The newspaper of chain drug retailing

C5150-2

Sept. 7, 1992

DRUG STORE NEWS®

SECOND CLASS

Vol. 14 No. 16

A Lebhar-Friedman publication

Industry mulls deep discounting's future

Phar-Mor scandal tops list of troubles plaguing off-pricers

By James Frederick

Is deep discounting for real?

The Phar-Mor juggernaut has derailed. Drug Emporium is awash in red ink. Of the Big Three of deep discount drug retailing, only the smallest, F&M, is currently making money. Another off-pricer, Dot Drug Stores, went out of business early this year, less than two years after Wal-Mart concluded the concept wasn't worth its time and sold Dot to a small group of owner-operators.

In the wake of massive allegations of fraud, a $350 million write-down and a bankruptcy filing, the very survival of Phar-Mor remains an open question. One thing the scandal involving former officers Michael Monus, Patrick Finn and others immediately revealed: the chain didn't actually turn a profit last year or the year before that. Indeed, the smoke and mirrors allegedly employed by its bookkeepers obscured a fact many of Phar-Mor's competitors have long suspected: the chain may never have made any money.

NEWS ANALYSIS

Phar-Mor's lack of profitability stems from several factors, including what spokesperson Carol Robinson said was a lack of accurate information. "The company could have been profitable all along," she argued, "if management had had the right tools with which to make decisions."

But instead of cultivating profits over the last decade, the chain has specialized in blitzkreig growth tactics, tough negotiating with vendors and huge stores whose ever-increasing size demanded huge quantities of product and prices that were often so low that they guaranteed the company would lose money in many categories. If nothing else, the chain's problems demonstrate the difficulty of turning a profit on the below-20-percent margins that are deep discounting's strongest suit.

Robinson says the chain's basic concept remains extremely viable, and from a customer's point of view, that's absolutely true. Even taking into account the newest units, Phar-Mor stores average roughly $10 million in annual sales. More than four-and-a-half million

See **Deep discounting** *page 57*

Phar-Mor uses bankruptcy to shore up support

YOUNGSTOWN, Ohio — Working feverishly to stem revolt among its suppliers and financial backers, Phar-Mor fled into bankruptcy protection in mid-August and managed to unfreeze some $50 million in interim financing from its lending banks to continue paying for inventory.

The money, combined with about $60 million a week in revenue from its 305 deep-discount stores, will be enough to get the chain through the crucial back-to-school season, according to vp of advertising Carol Robinson. But Phar-Mor is still faced with two immediate and formidable tasks: to line up so-called debtor-in-possession financing that will carry it through Christmas and beyond; and to work out new payment terms with its vendors.

"We're working now with our banks to secure D.I.P. financing which will enable us to meet our seasonal merchandising needs," Robinson said. That need aside, she added, "We have no problem operating and meeting expenses."

Ceo David Shapira and oth-

See **Phar-Mor** *page 57*

Carl Bellini returns to key post at Revco

TWINSBURG, Ohio — Chain drug veteran Carl Bellini has returned to Revco after a three-year absence to assume the key role of executive vp of marketing and stores.

Bellini

Bellini, 58, succeeds D. Dwayne Hoven, who was named Revco president in July after the chain emerged from bankruptcy and removed former ceo Boake Sells. Bellini's appointment fills a management void initially created by the departure late last year of executive vp of marketing Jim Adamson. Since that time, Hoven did double-duty at Revco until his recent promotion to the top management post.

As executive vp, Bellini will head up marketing, store operations, real estate and managed care, and will sit on Revco's executive committee. As such, he'll report directly to Hoven and oversee the activities of top managers including senior vp of marketing Jim Mastrian and senior vp of store opera-

See **Bellini** *page 57*

Rockbottom's "Inflation Busters" section, on a wall that runs the length of the new Glen Oaks store, strongly reinforces discount image with special values even lower than the chain's everyday low prices.

Rockbottom gears up for strategic expansion

By Bruce Buckley

PORT WASHINGTON, N.Y. — Rockbottom Stores, the leading low-price drug/HBA operator in the New York metro market, is gearing up for a controlled expansion that could increase its store count by 60 percent over the next three to five years.

With 32 stores already pumping out over $250 million in sales, the deep discount chain has set its strategic sights on at least 50 locations and more than $400 million in sales by 1997.

Rockbottom will concentrate on filling in its market position in the densely populated areas of Long Island, Westchester and Rockland Counties, northern New Jersey and southern Connecticut and New York City's boroughs—all within quick turnaround distance from its 180,000-square-foot distribution center in Brentwood, Long Island.

To handle the growth, Rockbottom chairman Richard Otto and newly-named president Jonathan Otto have strengthened a veteran management team with several key appointments.

They include Terry Files, a former Wal-Mart and Dot

Continued on page 46

or 2
7
49
BETHESDA MD 20814
4520 E W HWY
CONGRESSL INFO SVC
ATTN: SRI
012457 DR JUL93 005/02021
********** 3-DIGIT 208

NEWS IN BRIEF

O'Leary resigns from Fay's

LIVERPOOL, N.Y. — Daniel O'Leary has resigned as president and chief operating officer of Fay's Incorporated. He also resigned from the company's board of directors. No reason was given for his resignation.

Henry Panasci, Jr., Fay's chairman of the board, will assume O'Leary's duties. "The presidents of each of our operating divisions, Fay's Drug Stores, Wheels and Paper Cutter, will now report directly to Henry," said Warren Wolfson, Fay's senior vp and general counsel. "In the forseeable future, we have no immediate plans to replace Mr. O'Leary."

FoxMeyer inks major pact with Snyder's

DALLAS — FoxMeyer Corp. has signed a seven-year agreement to supply pharmaceuticals, OTC drugs, HBA and general merchandise to Snyder's Drug Stores. Under terms of the deal, which is expected to generate roughly $1.4 billion in long-term revenues, the nation's third-largest drug wholesaler will also purchase and operate Snyder's warehouse and distribution system.

Snyder's operates or services 258 stores in Illinois, Iowa, Michigan, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wisconsin, and is the market share drug store leader in its home market of Minneapolis/St. Paul. The contract does not include the transfer of any of Snyder's retail assets to FoxMeyer.

NACDS appoints 2, promotes 2

ALEXANDRIA, Va. — NACDS has expanded its state government affairs department and has appointed two new managers, Benjamin Davol and Eileen Finnegan, to the department. Kathy Gavett will assume new responsibilities as manager of government affairs communications. All will report to Kathryn Lavriha, NACDS vp for government affairs.

NACDS also named Christine De Bow Klein manager of library services for the association.

New SHOPA ceo post created

DAYTON, Ohio — Byron Rex Miller has been named ceo at SHOPA. The newly established position was instituted by SHOPA's board of directors due to the dramatic growth of the organization's activities. Miller had previously served as SHOPA's volunteer president since the organization was founded in February 1991.

Prior to accepting the full-time position at SHOPA, Miller was director of merchandising for Mead School and Office Products Division.

Wojcik: McK senior vp slot

Wojcik

SAN FRANCISCO — McKesson Drug Co. has named Richard F. Wojcik to the new position of senior vp, sales and customer service.

Wojcik, a pharmacist, was formerly vp of sales for the pharmaceutical division of Eli Lilly and Co., a position he has held since 1979. He joined Eli Lilly as a sales representative in 1960.

Wojcik will be responsible for all of McKesson Drug Co.'s sales efforts, including the company's hospital and managed care, home health care, pharmacy design services, telemarketing and the medical supply business. He will also be responsible for sales efforts in support of the company's independent and chain store accounts, including its 3,800 Valu-Rites.

PayLess names two new vps

Wilsonville, Ore. — PayLess Drug Stores has named Roger Parisotto as regional vp for the chain's new Hawaii region, which includes 15 recently acquired Pay 'n Save stores. Parisotto will be based in Honolulu and will assume responsibility for all operational aspects of the Hawaii stores.

In another appointment, Karen Sheridan was promoted to vp of corporate communication.

Conaway to new position at CVS

WOONSOCKET, R.I. — Chuck Conaway has joined CVS in the newly created position of sr. vp of pharmacy services.

The new position was created in response to increased demands as pharmacy continues to become a larger share of CVS' business, a CVS spokesperson said.

Conaway, previously executive vp and chief operating officer at Indianapolis-based Reliable Drug Stores, Inc., will be responsible for internal pharmacy operations, third-party management and pharmacy merchandising.

Eckerd: a tougher competitor emerges from restructure

NEWS ANALYSIS

By Mike Troy

CLEARWATER, Fla. — The restructuring of the Jack Eckerd Corp. and elimination of 600 jobs is expected to make the retailer a stronger competitor and a more attractive investment in light of a planned return to public ownership.

According to current and former employees, the restructuring was a needed step because a managerial bureaucracy had emerged and it was hindering the decision-making process. Eckerd's bottom line will not only be improved by staff cuts, these sources say, but in the long run, will also be helped by simplified decision-making and an increased emphasis on pharmacy.

Some feathers ruffled

"In the retail environment companies are always looking at how they can be more efficient and productive," said a former exec. "Most of us don't respond real well to change, so there was some initial ruffling of feathers that took place, but after a while it will reach a norm and then the company will go forward from there."

Another former exec added, "All businesses are going through some pretty tough times and looking to the future. Eckerd would have had some pretty tough times had we not gone through this exercise. The restructuring also positions the company much better in terms of our financial statements."

Not that its financial statements are bad. Although the retailer has slightly more than $1 billion in debt outstanding from its 1986 leveraged buyout, sales continue to increase steadily and cash flow has remained strong. Company officials have not disclosed how much money the restructuring will save, but estimates range from $15 million to $30 million annually.

"Eckerd is just trying to strengthen its already strong position rather than survive a weak position," said Walter Mardis, the Mercer Management Consulting project manager who spearheaded the Eckerd project. "It was one of the more satisfying experiences that we have had with a client because they knew what they wanted to accomplish, and I think the changes that have been made will take them into the future very well."

Beginning in April, the consultants began an extensive data collection process looking at activities performed, the time and costs involved, where tasks were being performed and how much money was being spent on them. The consultants then worked with study teams comprising Eckerd executives who made the decisions about where changes needed to be made.

"The whole process was managed pretty well, we were quite open, everybody knew what we were doing and why we were doing it," said a former executive.

Even a district manager who got bumped down to a store level manager position was not overly disturbed by the reshuffling.

"Some people are probably upset, but if they are bitter it is probably best they are gone anyway," the manager said.

While some positions within the company were eliminated, others were created. For example, in recognition of the increasing importance of pharmacy, a new layer of pharmacy managers was added. Pharmacy is a large part of Eckerd's business, accounting for $1.6 billion of the chain's nearly $3.8 billion in sales last year. In the past, pharmacists and store managers both reported to a district manager who was responsible for about 20 stores. Only about 25 percent of the district managers under the old system were pharmacists. Under the restructuring, all the district pharmacy managers will be pharmacists and have responsibility for about 30 stores.

Although Eckerd, with nearly 1700 stores, has a considerable presence in the Southeast, the chain is under constant pressure from competitors. In the rapidly growing Florida market, where Eckerd has almost a third of its stores, a host of other competitors are steadily increasing their presence. Supermarkets, discount stores and deep discount drug stores all contend for a slice of the pharmacy pie and Walgreens is in the midst of an aggressive expansion campaign that soon will give the chain more than 300 Florida stores.

A leaner management and an increased emphasis on pharmacy will certainly help the chain in its efforts to remain competitive in all its markets.

Outsiders' view

The changes at Eckerd are significant from not only an internal point of view, but also for outsiders who may now view the company as a proactive organization that took the initiative to trim fat. That may be a key consideration as the organization continues to look for a window to enter the stock market and return to public ownership.

Eckerd entertained the idea of going public this past summer, but a soft IPO market deterred them from going forward.

With the uncertainty of a presidential election in early November and the holiday season shortly thereafter the offering will certainly be delayed until after the first of the year.

"We are not counting on [the initial public offering] anytime soon and we are not under any particular pressure to do it, so we are not going into a soft market and sell our stock for less than it is worth," said Stewart Turley, Eckerd's ceo, shortly after the restructuring was announced.

IN THIS ISSUE

FEATURES

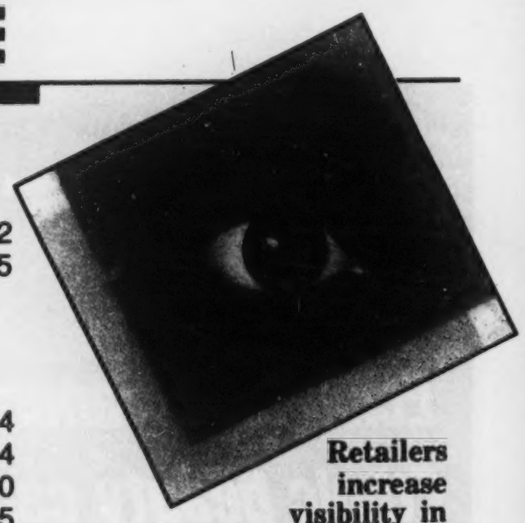
Rockbottom's Expansion Plans 1,46

HEALTH AND BEAUTY AIDS

Ethnic Beauty Care 7-19
Category in Motion 19
Professional Hair Care ... 49-52
Beauty Beat 55

DEPARTMENTS

Opinion 4
In the Market 4
Washington Perspective 4
Product Updates 20
People in the News 45
Finance 58



Retailers increase visibility in pivotal ethnic category. ***Page 7.***

Hair glaze/lotion sales pump up the volume in category

As chain drug store hair care buyers get ready to update their planograms for the hair styling category, they should pay particular attention to the emerging hair glaze/lotions category.

According to Towne-Oller & Associates, glazes and lotions have replaced styling gels and spritzes as the fastest growing segment of styling aids.

Although their base of sales is still relatively low—just $12.8 million for the 12-month period ending June, 1992—their growth has been dramatic: up 317 percent for those 12 months.

All other segments of styling aids appear to have reached maturity and peaked.

Gels were up just 4 percent to $59 million for the 12 months ending last June, while mousse was only up 3 percent to $44 million. Spritzes declined 7 percent to $64.7 million, while styling sprays were down 2 percent to $15 million.

New products

The growth in glazes is very much attributable to new product introductions. All six items at the top of the dollar chart have been in distribution for 13 months or less. Eleven of the top 25 have been in distribution for 12 months or less.

In comparison to the new activity in the glaze category, all other styling categories look downright sedate. There hasn't been that much new activity to pump sales in these categories.

For example, the Towne-Oller rankings indicate that there was only one product with 12 months or less distribution in the mousse category: L'Oréal's 6-ounce Studio Springing Curls.

That one new item, moreover, has been very important to the mousse category. Not only did Springing Curls crack the exclusive top five list in dollars, but it also went all the way to No. 1; it has been a significant contributor to that category's growth.

Gel category

In the gel category, there are only five products with less than a year's activity among the top 25 dollar producers, but just one of these—L'Oréal Studio 6-ounce Anti-Frizz Tamer Gel Pump—is in the Top Five New Item Ranking.

There are five new items in the styling spray category, but only one of these is in the top five: Aussie Sprunch Spray Aerosol 14 oz., and there are no new items in the Top 25 dollar ranking in the spritz category.

Unless a new item is very innovative, it becomes more difficult, as categories mature, for the newer entries to generate dramatic incremental growth. Generally, when new items succeed in maturing categories, it's at the expense of existing items.

But that cannibalization trend is not yet evident in glazes. The overnight success of John Frieda's Frizz-Ease quickly saturated the market with a lot of competitors.

Not only does Frizz-Ease continue to dominate the category, but also many of its competitors have also done well.

Del Labs' Nuitritonic Frizz Tamer is number 2 in the Towne-Oller rankings. Forget The Frizz from BSP Labs is number 11 and Cabot's Frixx-Fix, number 12.

See related charts, pgs. 49 & 52.

BEAUTY BEAT
LIZ PARKS

Five new styling gels impact the styling gel category

Rank in top 25	Item	Months of distribution
4.	L'Oréal Studio Anti-Frizz Tamer Gel Pump 6 oz.*	12
6.	DEP Styling Gel Extra Super Hold*	9
10.	DEP Stying Gel Mega Hold 12 oz.*	9
13.	L'Oréal Studio Total Hold Clean Gel 5.2 oz.*	12
20.	DEP Styling Gel Balsam Super Hold 12 oz.*	9

Ranked by national drug store dollar volume for the 12-month period ending June 1992
*Items with 12 months or less distribution in food or drug stores.
Source: Towne-Oller & Associates, a subsidiary of IRI.

Hair glaze category explodes

	Dollar sales (millions)	% hair styling category sales	% change vs. a year ago
Hair glazes/ lotions	$12.8	6.5%	317%

Source: Towne-Oller & Associates, a subsidiary of IRI.

Only **one** cold sore treatment has **sunscreens** to **protect & prevent:**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Something new under the sun!
The only cold sore product with sunscreen
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

PROCTER & GAMBLE
NOTICE TO OUR CUSTOMERS

ATTENTION: STORE MANAGER/OWNER

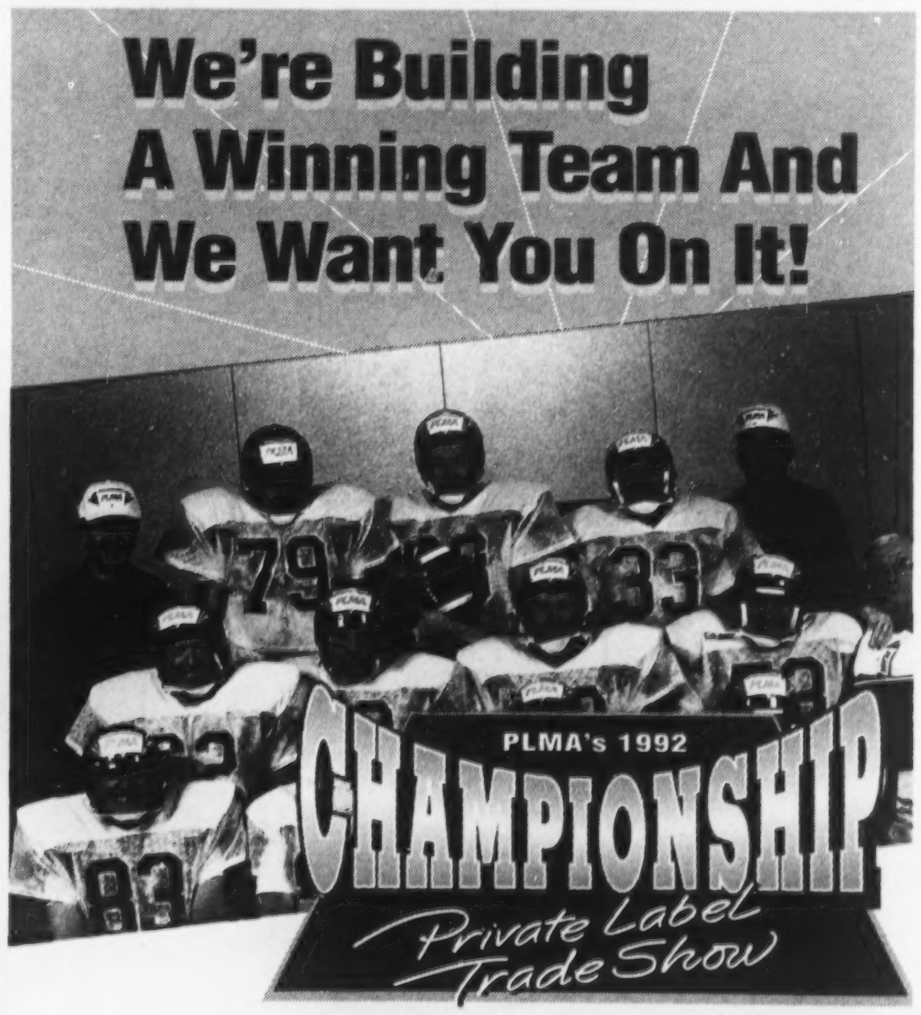
We offer annual funded Marketing Agreements to all retailers in the U.S.A. Payments are made for performance under the applicable plan: FMA plan–purchase, distribute, or reduce price; CMF plan–purchase and/or distribute cases for print/electronic media featuring and/or display and/or price reduction and/or in-store sampling/couponing and/or selling/consumer shows. Other programs involve distribution by agencies of product coupons and samples in stores, in various markets at various times. Also, we offer display material, newspaper proofs, etc., to assist you in merchandising our brands.

Details are set forth in specific agreements. These offers are practical and usable by all retailers regardless of size. You may now be performing under an agreement, and payments are being made to you or your headquarters or wholesaler on your behalf. In some instances, wholesalers commingle these funds for the benefit of all their retail customers.

If you are not receiving benefit of these offers either directly or through your wholesale supplier and would like to do so, send your name, address and telephone number to Procter & Gamble, Box 162, Cincinnati, Ohio 45201, and we will contact you. Please specify the Company product line.

Beauty Care Sector
Health Care Sector
Food/Beverage Sector
Paper Sector
Soap Sector
Cosmetics and Fragrances Sector

© 1992 Procter & Gamble Co.



Register now for the only show devoted entirely to store brands.

- 15,000 PRODUCTS ON DISPLAY
- 1,000 RETAIL AND WHOLESALE BUYERS
- 850 EXHIBIT STANDS

Plus...
- TOP INDUSTRY SPEAKERS
- LATEST MARKET RESEARCH

NOVEMBER 15-18, 1992
O'HARE EXPO CENTER, CHICAGO
Call (212) 972-3131 for details.
Presented by Private Label Manufacturers Association

Longs posts increase in second quarter sales

WALNUT CREEK, Calif. — Longs Drug Stores reported results for its second quarter ended July 30, showing a 6 percent sales increase along with a 5 percent decrease in net income, although the latter was impacted by the cost of technological upgrading.

Unaudited sales for the quarter were $613.4 million compared to $576.9 million for the same period last year. Year-to-date sales increased 6 percent to $1.22 billion from $1.15 billion for the comparable period last year.

For the quarter, unaudited net income was $13.5 million compared to $14.2 million. Expenses were up by approximately $2 million as a result of the chain's continuing POS scanning project. "Without this additional cost net income would have increased over last year's second quarter by four percent," noted William Combs, vp of administration and corporate relations. Combs noted that 130 of the chain's 268 stores are scanning and over 170 locations will be on the system by the end of 1992. During the second quarter, one new store was opened, one closed and six sites are currently under construction.

Sharp rise for Big B

BESSEMER, Ala. — Big B reported sharply higher net earnings of $1.4 million for the second quarter ended Aug. 1, up 45 percent from the same period last year. For the half, net income was up 41 percent to $4.1 million on sales that rose only slightly to $246.0 million. Combo powerhouse Albertson's also reported healthy second-quarter profits, up 12 percent to $66.0 million.

MSI has 3rd qtr. increase

ST. LOUIS, Mo. — Medicine Shoppe International, Inc., the franchise apothecary chain, reported corporate earnings for the third quarter ended June 30 increased 15 percent to $4.27 million compared with $3.72 million in the same period of the previous year. Operating earnings for the nine-month period increased 16 percent to $12.12 million compared to $10.47 million for last year's nine months. Corporate revenues increased 8 percent to $10.18 million for the quarter, up from $9.44 million in 1991's third quarter.

Smith's notches strong earnings gain

SALT LAKE CITY — Extending its successful financial results, Smith's Food & Drug Centers recorded strong gains in sales and earnings for the period ended July 4.

Net income was up 25 percent to $13.5 million for the quarter and 26 percent to $26.7 million for the first six months. Sales grew 17 percent for the quarter, to $640 million; first-half sales were up 21 percent to $1.08 billion.

Most of the sales increase, however, came through Smith's strong new-store expansion in California and elsewhere. Same-store sales were "relatively flat," the company reported, due to "modest deflation, consumer trading-down and the weak economy in general."

At the end of the second quarter, Smith's operated 111 stores, including 13 in Southern California. Another 10 units are slated for opening this year.

For extra profits, **display** & **recommend** with **suncare** products.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The healthcare professionals' **treatment of choice!**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

MARKET DIARY:

Largest Dollar Gainer	Barr Laboratories	$ 3.38	Advances	13
Largest Dollar Loser	Penney, JC	$ – 6.25	Declines	44
Largest Percentage Gainer	Barr Laboratories	46.55%	Unchanged	5
Largest Percentage Loser	Bolar Pharmaceutical	– 25.25%	New highs	4
			New lows	5

	Close 8/4/92	Close 8/25/92	Net Change	Percent Change
Drug Store News Index	4746.49	4596.24	– 150.24	– 3.17
Dow Jones Industrial Average	3384.32	3232.22	– 152.10	– 4.49
Standard & Poor's 500-Stock Index	424.36	411.61	– 12.75	– 3.00
N.Y.S.E. Composite	233.39	226.47	– 6.92	– 2.96
Value Line Index	253.36	243.12	– 10.24	– 4.04

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 8/4/92	Closing Price 8/25/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.25	5.38	0.13	2.38	15	0.00	0.00	5.75	3.47
OTC	Arbor Drugs	ARBR	20.25	20.25	0.00	0.00	21	0.12	0.59	25.25	17.50
OTC	Big B	BIGB	13.75	13.63	– 0.13	– 0.91	14	0.20	1.47	16.25	10.63
OTC	Drug Emporium	DEMP	4.13	4.38	0.25	6.06	—	0.08	1.83	9.25	3.63
NYS	Fay's Inc.	FAY	8.00	7.63	– 0.38	– 4.69	18	0.20	2.62	11.50	6.59
ASE	Genovese Drug	GDX.A	8.63	7.88	– 0.75	– 8.70	8	0.24	3.05	14.75	7.50
NYS	Longs Drug Stores	LDG	38.13	36.63	– 1.50	– 3.93	14	1.12	3.06	40.00	33.13
OTC	Medicine Shoppe	MSII	24.75	23.75	– 1.00	– 4.04	17	0.36	1.52	30.75	20.75
NYS	Perry Drug	PDS	8.63	8.13	– 0.50	– 5.80	11	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	21.63	21.75	0.13	0.58	15	0.52	2.39	23.75	17.25
NYS	Walgreen Co.	WAG	35.88	39.00	3.13	8.71	22	0.52	1.33	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	19.38	18.75	– 0.63	– 3.23	14	0.40	2.13	23.91	16.00
OTC	Bindley Western Ind.	BIND	18.38	16.38	– 2.00	– 10.88	10	0.04	0.24	20.75	13.50
OTC	Cardinal Distribution	CDIC	30.25	27.50	– 2.75	– 9.09	20	0.08	0.29	38.75	22.50
OTC	Durr-Fillauer (H)	DUFM	31.13	33.25	2.13	6.83	24	0.28	0.84	33.50	17.50
NYS	FoxMeyer Corp. (L)	FOX	12.88	12.38	– 0.50	– 3.88	13	0.28	2.26	16.63	10.38
NYS	McKesson Corp.	MCK	37.00	36.38	– 0.63	– 1.69	41	1.60	4.40	40.13	30.25
ASE	Moore Medical (H)	MMD	7.75	8.00	0.25	3.23	17	0.00	0.00	8.50	3.00
NYS	Owens & Minor	OMI	19.00	17.75	– 1.25	– 6.58	17	0.24	1.35	24.25	16.00
Manufacturer's transactions											
NYS	Abbott Labs	ABT	30.63	30.25	– 0.38	– 1.22	22	0.60	1.98	34.88	26.13
NYS	American Home Products	AHP	76.63	73.50	– 3.13	– 4.08	16	2.60	3.54	86.25	62.50
ASE	Barr Laboratories	BRL	7.25	10.63	3.38	46.55	27	0.00	0.00	37.50	5.88
NYS	Baxter International	BAX	38.25	37.13	– 1.13	– 2.94	17	0.84	2.26	40.88	32.63
OTC	Block Drugs Co.	BLOCA	46.25	46.50	0.25	0.54	14	0.88	1.89	61.00	42.50
ASE	Bolar Pharmaceutical	BLR	12.38	9.25	– 3.13	– 25.25	—	0.00	0.00	14.50	5.25
NYS	Bristol-Myers Squibb	BMY	70.25	67.25	– 3.00	– 4.27	17	2.76	4.10	90.13	62.00
NYS	Carter-Wallace	CAR	29.25	25.13	– 4.13	– 14.10	25	0.32	1.27	45.84	22.88
ASE	Columbia Labs	COB	5.50	5.13	– 0.38	– 6.82	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	19.88	19.50	– 0.38	– 1.89	14	0.28	1.44	24.38	16.88
ASE	Forest Labs	FRX	38.13	38.25	0.13	0.33	32	0.00	0.00	42.88	28.63
ASE	Halsey Drug	HDG	6.75	6.75	0.00	0.00	23	0.00	0.00	9.75	4.69
NYS	ICN Pharmaceutical	ICN	11.13	9.13	– 2.00	– 17.98	21	0.00	0.00	25.38	5.25
NYS	Johnson & Johnson	JNJ	49.75	49.13	– 0.63	– 1.26	21	0.92	1.87	58.69	42.38
ASE	Lee Pharmaceutical	LPH	1.25	1.25	0.00	0.00	—	0.00	0.00	2.13	0.75
NYS	Lilly Eli Co.	LLY	71.88	67.00	– 4.88	– 6.78	14	2.20	3.28	87.75	63.63
NYS	Marion Merrell Dow	MKC	29.50	27.63	– 1.88	– 6.36	12	1.00	3.62	39.00	25.75
NYS	Merck Co.	MRK	53.13	51.00	– 2.13	– 4.00	26	1.00	1.96	56.59	41.47
NYS	Mylan Labs (s) (H)	MYL	24.25	24.13	– 0.13	– 0.52	42	0.08	0.33	25.13	13.19
NYS	Novo-Nordisk	NVO	91.25	93.63	2.38	2.60	17	0.60	0.64	96.00	71.25
OTC	Nutramax Products	NMPC	8.13	8.13	0.00	0.00	20	0.00	0.00	12.50	5.63
NYS	Pfizer Inc.	PFE	80.75	80.50	– 0.25	– 0.31	35	1.48	1.84	87.00	62.50
NYS	Pharmaceutical Resources	PRX	6.00	6.13	0.13	2.08	—	0.00	0.00	8.00	3.00
NYS	Rhone-Poulenc Rorer	RPR	54.75	50.75	– 4.00	– 7.31	19	0.72	1.42	69.38	45.38
NYS	Schering Plough	SGP	60.63	60.38	– 0.25	– 0.41	18	1.56	2.58	68.00	49.88
NYS	Syntex Corp. (L)	SYN	34.13	28.25	– 5.88	– 17.22	14	1.04	3.68	56.00	28.25
OTC	Taro-Vit Industries	TAROF	9.00	8.25	– 0.75	– 8.33	69	0.00	0.00	12.75	3.50
OTC	Teva Pharmaceutical Ind.	TEVIY	24.75	25.38	0.63	2.53	25	0.20	0.79	28.38	15.00
NYS	Upjohn Co.	UPJ	35.00	33.75	– 1.25	– 3.57	11	1.36	4.03	47.88	31.00
NYS	Warner-Lambert	WLA	67.63	66.75	– 0.88	– 1.29	48	2.04	3.06	79.25	58.38
OTC	Zenith Labs (L)	ZENL	14.50	12.50	– 2.00	– 13.79	—	0.00	0.00	24.50	7.00
Other retailer transactions											
NYS	Albertson's	ABS	42.38	40.00	– 2.38	– 5.60	23	0.64	1.60	44.88	32.75
NYS	American Stores	ASC	37.38	35.75	– 1.63	– 4.35	11	0.68	1.90	41.25	26.00
NYS	Giant Food	GFS.A	20.25	20.25	0.00	0.00	15	0.68	3.36	26.25	19.38
NYS	Great Atlantic&Pacific Tea	GAP	27.13	26.63	– 0.50	– 1.84	—	0.80	3.00	42.75	25.00
NYS	Kmart	KM	24.75	23.25	– 1.50	– 6.06	12	0.92	3.96	27.50	19.06
NYS	Kroger (L)	KR	14.50	12.00	– 2.50	– 17.24	13	0.00	0.00	21.13	11.25
NYS	Melville Corp.	MES	49.50	47.38	– 2.13	– 4.29	15	1.48	3.12	52.00	38.25
OTC	Fred Meyer	MEYR	26.00	25.25	– 0.75	– 2.88	13	0.00	0.00	29.25	19.75
NYS	Penney, JC (H)	JCP	73.13	66.88	– 6.25	– 8.55	23	2.64	3.95	73.50	47.25
NYS	Safeway (L)	SWY	13.25	11.38	– 1.88	– 14.15	21	0.00	0.00	20.25	11.38
NYS	Smith's Food & Drug	SFD	30.63	29.63	– 1.00	– 3.27	17	0.44	1.49	43.25	25.75
NYS	Wal-Mart	WMT	55.88	57.38	1.50	2.68	37	0.20	0.35	59.88	45.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 16 Sept. 7, 1992

SEPT 7 1992

C5150-2

The newspaper of chain drug retailing

September 28, 1992

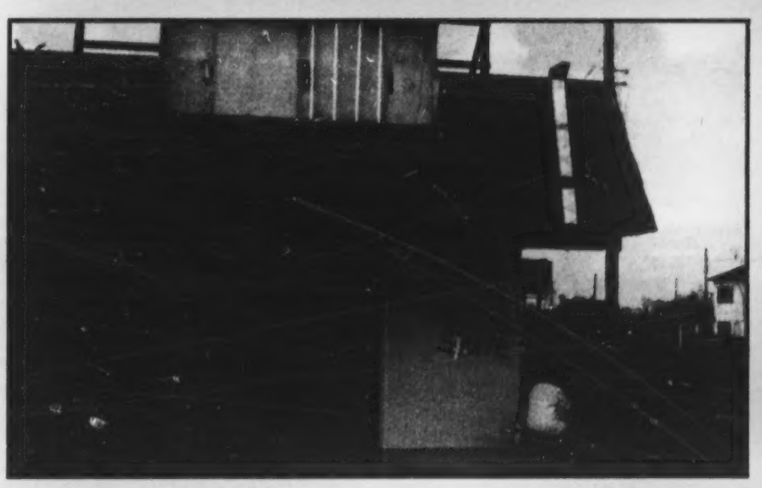
DRUG STORE NEWS®

SECOND CLASS

Vol. 14 No. 17

A Lebhar-Friedman publication

Confronting & surviving disaster



Vida, part of the Gulf Distribution network, was one of many Florida businesses that suffered severe damage during Hurricane Andrew. Despite incredible obstacles chains like Rite Aid (operating out of a trailer) and Medicine Shoppe did their best to make it "business as usual."

By Allene Symons

When disaster strikes repeatedly as it has this year—hurricanes and floods, earthquakes and civil unrest—it's a vivid reminder to drug chains, their suppliers and their customers that it can happen anywhere, anytime.

Drug Store News talked with Eckerd, K&B and other chains and distributors whose stores or accounts were affected by Hurricane Iniki in Hawaii and Hurricane Andrew in Florida. PayLess, McKesson, Longs, Bergen and others who were impacted by rioting and other disasters in the past were interviewed as well. Here are some of their most effective emergency procedures:

• **Exterior security.** In hurricane country, all new and remodeled Eckerd stores have built-in window and door channels for custom-fitted plywood covers (these are kept in the stores at all times), reports spokesperson Gene Ormond. A big advantage is not having to compete for plywood or pay scalper prices when everyone else is scrambling to cover up. (In the L.A. riots last spring, plywood was in short supply). K&B has roll-down hurricane shutters at some of its stores in the Gulf area, explains Irby Bourque, manager-pharmacy operations.

• **Providing power.** Portable generators are one of the most essential emergency items for a business. "There was great demand for generators in South Florida," says Ormond, "and there were certain areas where we couldn't

Continued on page 6

Damage reports on Kauai Longs, PayLess sketchy

Post-disaster communications difficulties are pointed up by the sketchy damage reports available to Longs and PayLess following Hawaii's worst hurricane in decades.

By presstime, Longs and PayLess were unable to inspect their damaged stores on the Hawaiian island of Kauai, since inbound flights were restricted.

Through telephone reports, Longs learned that at least one of its stores on Kauai had suffered roof damage. "It may be a while before we know how severe the damage is," says William Combs, vp of administration, Longs Drug.

One of the Hawaiian Pay 'n Save stores recently acquired from Thrifty Corp. also lost a roof. PayLess' Karen Sheridan, vp of corporate communications, notes "we don't know how long it will be until it is operational."

Until its takeover of Pay 'n Save this past July, PayLess didn't have stores in Hawaii. Opening a new market can mean new kinds of natural disasters—and responsibility for new employees. Sheridan noted that many Pay 'n Save employees lost their homes and that a company-wide donation effort is planned.

Bergen, Durr Fillauer merger moves ahead

Bergen Brunswig has reached a definitive but still fragile merger agreement with Durr-Fillauer. Cardinal's short-lived pact is dead. If the Bergen deal is consummated, what are the implications for the drug industry?

ORANGE, Calif. — Bergen Brunswig Corp. has emerged as victor apparent in the bidding war over Durr-Fillauer Medical, the Montgomery, Ala.-based distributor.

The live deal now surfaced just after Labor Day. At $33 per share, equity value exceeds $406 million; including debt assumption, the deal is worth $470 million. This topped the $30.50 offer from Cardinal Distribution, Dub-

See **Bergen** *page 69*

Three new chain presidents 3

Buyers eye Christmas values 17

Deodorant sales get a boost 55

Attendees focused on Exclusively HBA

By Barbara White

DENVER — Buyers at presstime were preparing to scout out hot opportunities at the Exclusively HBA show here Sept. 23-24—everything from items originally destined for Phar-Mor to hundreds of new products and merchandising display vehicles.

The latest tally pegged expected show attendance at 3,000—including 700 buyers, about one-quarter of whom are from the chain drug or wholesale sectors. Drug chain executives saw plenty of new HBA offerings at the NACDS Marketplace show in June, but many are willing to trek to Denver to help them manage HBA more closely.

"This show lets buyers be totally immersed in HBA. There are no outings or seminars to distract them so they can really get the quality time they need to spend with vendors," said Jay Spaulding, Exclusively HBA's ceo.

This show is certainly positioned to provide a broad and deep focus on HBA as a category; over 50 ethnic manufacturers and 100 private label suppliers will be at the show.

"Primarily, we use the NACDS show to see new HBA items," said Joe Dickerson, vp/divisional merchandise manager of New York-based Rx Place. "But because we've picked up our expansion and want to work with vendors more closely, we'll attend the show." Dickerson said he may use the opportunity to purchase some merchandise originally slated for Phar-Mor shelves.

Harold Pinker, president of Dallas-based Texas Drug Warehouse, plans to send two buyers to the show. "We always want to see new HBA items since the category is at the core of our business. It makes sense to concentrate on an area that is so important to the store," he said.

"The show is a good source of information for our planogram changes for next year," said Jim Hobbs, senior merchandise manager for Knoxville, Tenn.-based Begley Drug. Although most of his December stock is already bought, Hobbs, like other buyers, said he planned to look for deals on new items so he

See **Attendees** *page 69*

NEWS IN BRIEF

Manos elected president of Giant Food

WASHINGTON, D.C.—Pete Manos is replacing Israel Cohen as president of Giant Food. Cohen will continue in his role as chairman of the board and ceo. Cohen said that while he will continue to lead the company "vigorously into the future," Manos, who has been with the company for 32 years, is positioned to become his successor.

Arbor, Perry: rivals match store growth

TROY, Mich. — Arbor Drugs and Perry Drug Stores are trading salvos on the expansion front as summer nears its end, despite a weak economy.

In late August, Arbor announced plans to open three new stores by the end of September, bringing its store count in Michigan to 128. The new units are located in Dearborn—the fifth Arbor store there—as well as the 15th store for the Downriver community in Taylor and the chain's 38th unit in Oakland County in Royal Oak, a Detroit suburb. All three units are 10,923 square feet.

"Our aggressive expansion program in the southeastern Michigan market, Arbor's primary trading area, continues on schedule," said Arbor chairman and ceo Eugene Applebaum.

Not to be outdone, Perry opened its 207th store Sept. 13 in the small city of Wyandotte, Mich., south of Detroit. The chain has also signed leases for new stores in West Bloomfield Township and in Flint, Mich., where the chain already has 26 units. Both stores are slated to open later this year.

IRI sets joint venture with Catalina

CHICAGO — Information Resources, Inc. and Catalina Marketing Corp. plan to form a joint venture firm that will marry IRI's "extensive analytic and software expertise" with Catalina's POS consumer promotion capabilities.

The new firm, to be called Catalina Information Resources, will merge Catalina's extensive in-store data network with IRI's information services capabilities to create "real-time" information applications to clients. Among them: timely monitoring of retail out-of-stocks, just-in-time product reordering and day-after sales performance tracking.

Hoven named to Revco board

TWINSBURG, Ohio — As expected, Revco D.S. has named newly elected president and chief operating officer D. Dwayne Hoven to its 11-member board of directors.

Hoven, 50, replaces former ceo Boake Sells as one of two inside managers on the board shortly after being named Revco's top officer. He joins Gregory Raven, executive vp and cfo, and nine outside directors who represent Revco's former creditors and new owners.

Hoven joined Revco in 1987 and served as executive vp of marketing and stores prior to his July promotion to president.

Cancer organization forms new council

NEW YORK, N.Y. — The Skin Cancer Foundation will honor its newly formed Chain Drug Store Council at its annual benefit dinner dance on November 19. Philip Beekman, chairman and ceo of Hook-SupeRx Drug Stores and general chairman for the benefit dinner, will introduce the council, comprised of prominent chain drug store executives selected for their commitment to preventative health care.

IN THIS ISSUE

FEATURES

Pictures in the News 9
Nielsen Highlights 10

COSMETICS AND FRAGRANCES

Christmas Merchandising 17-28
Beauty Beat 43
Category in Motion 43-44
BOA Transcript 47-52

TOILETRIES

Deodorants 55-58

DEPARTMENTS

Opinion
In the Market 4
Washington Perspective 4
Store Manager Training 15
Product Updates 60-62
People in the News 65
Supplier News 66
Finance 70

F&M plans to net $30.1M from IPO to reduce debt

WARREN, Mich. — Buoyed by steadily increasing earnings and a resurgent stock market, F & M Distributors is ready for its first public offering of common stock.

The sale of 3.15 million shares of F & M common are expected to begin trading on the NASDAQ National Market System by the end of September, under the symbol "FMDD." The stock sale is being underwritten and marketed by Merrill Lynch & Co.

The shares—including 2.4 million new shares offered by the company and 750,000 shares put up for sale by current owners—are expected to sell for an opening price of roughly $14 a share. That will yield the deep-discount chain approximately $30.1 million after expenses. According to F & M's offering prospectus, "net proceeds will be used to reduce indebtedness under the company's revolving credit agreement." That will cut F & M's total long-term debt to roughly $123.6 million.

F & M registered with the SEC June 19 in preparation for its IPO but waited until market conditions were right before going ahead with the offering, according to Laura Kendall, senior vp of central operations and cfo. "The IPO market was disrupted earlier this year- . . .but has been refreshed over the summer," she said.

In meetings with investment analysts and in its offering prospectus, F & M has taken the wraps off an off-price retail operation whose full outlines have never before been disclosed. The prospectus tells a detailed story of a chain whose performance is a bright spot in the troubled off-price drug store industry—a chain which has been consistently profitable since the purchase of the original F & M store from deep-discount pioneers Fred and Margaret Cohen in 1975.

Over the past five years, the company reports, sales have grown at a compound rate of 30 percent a year, to $674 million, as store count has ballooned from 28 to 113 units. Net earnings have kept pace, rising from $9.3 million in fiscal 1989 to $13.9 million in fiscal 1992, despite losses of nearly $1 million due to the start-up of Parti-Giant, a new off-price party supply concept. Net earnings for the first half of fiscal '93 ended Aug. 1 were $5.4 million, compared with $4.4 million the previous year.

"The company's general experience is that stores usually experience operating losses for one to two years after opening and achieve mature operating profit levels five years after opening," the report notes.

"The company believes that future profitability will be favorably affected by the increasing percentage of stores with more than two years of operating history. . .and opening new stores in existing markets to advance the company's strategy of dominance and penetration. . ."

Indeed, one key to F & M's profitability has been its ability to cluster stores in a few major markets, relying on word-of-mouth advertising and its everyday low-price appeal to build sales without ad expenditures. The chain operates in five major markets, including four of the seven largest metro areas in the U.S. Another five units are slated for opening this year, with 18 more F & M stores scheduled for fiscal 1994; all will be "in existing or contiguous metropolitan markets," according to the offering report.

Market surveys conducted by Leo J. Shapiro and Associates show that consumers perceive the chain "to have the best combination of price and selection" in its markets, the prospectus notes.

F & M estimates its prices are 5 to 15 percent below mass merchants, 15 to 25 percent below supermarkets and 20 to 40 percent below traditional drug stores. The chain holds down prices by: using its 17-member buying staff to buy aggressively on a deal or contract basis direct from manufacturers; eschewing warehouses in favor of direct supplier shipments to stores; avoiding most forms of advertising, thus holding ad expenditures to 0.3 percent of sales last year; and holding a firm line on the breadth of its merchandise mix in stores that rarely go above 30,000 square feet in selling space.

Thus, HBA and cosmetics/fragrances account for fully 56 percent of revenues at F & M, with household supplies adding another 17 percent and drinks and snacks contributing another 15 percent.

Within those tight merchandise parameters, however, F & M aims for the best selection in its markets. It typically offers more than 200 linear feet of shampoo and hair care items, and its stores carry a total of 27,000 densely stocked SKUs. *—James Frederick*

F&M Distributors: the highlights

Company founded: **1955**
Headquarters: **Warren, Mich.**
Officers: **Frank Newman, president and ceo; Earl Weissert, executive vp; Laura Kendal, senior vp of central operations, cfo; Randolph Agley, chairman; Michael Timmis, vice chairman, general counsel; Matthew Keller, senior vp of merchandising.**
Major markets: **Chicago, Detroit, Washington, D.C./Baltimore; Minneapolis/St. Paul, Boston, Mass.**
Principal owners: **Randolph Agley, Judith Agley, Michael Timmis, Wayne Inman.**
Store count: **113**
Sales: **$674.0 million (fiscal 1992, ended Jan. 31, 1992).**
Net earnings: **$13.9 million.**

Walgreens and Perry plan to boost store security

PONTIAC, Mich. — Perry Drug Stores has become the latest drug chain to begin installing electronic article surveillance systems in its stores in a bid to cut shoplifting and shrink.

Perry's system, called UltraMax and marketed by Sensormatic Electronics, consists of an exit-door alarm system activated by sensitized, electronic security labels affixed to high-theft items in the stores. Perry will also install Sensormatic's SpeedStation bulk deactivators at checkstands.

Use of the system will also allow Perry to take advantage of so-called source labeling programs, by which security stickers are attached to products at the point of manufacture.

Announcement of Perry's plans follows disclosure in June of a security labeling test by Walgreens. The chain has signed with Checkpoint Systems to install the company's Electronic Article Merchandising (EAM) system in 200 Walgreen stores in a single distribution center region.

The test will include source tagging of merchandise at the warehouse level. "We have determined that the best method to implement an EAM program is from the distribution center level rather than on a store-by-store basis," noted Chet Young, Walgreen general auditor. "This will allow us to take immediate and full advantage of source tagging's benefits."

The system also includes deactivation equipment at checkstands, as well as sensors at store exits to detect the unauthorized removal of protected merchandise.

NIELSEN HIGHLIGHTS

Marketing focus: lipsticks

This category had all outlet sales of $219 million during the 52 weeks ending Mar. 16, 1991 (up 24 percent against 1990). Unit sales of 83.1 million were up 20 percent from last year. The average price reported by consumers was $2.64 per unit, an increase of 3 percent from 1990.

Household penetration grew by 1.4 points to 31.0 percent of the 94.7 million U.S. households. Each of the 29.4 million households purchasing the category this year spent an average of $7.47. They purchased at a rate of 2.2 times during the year, buying on average, 1.3 units on each occasion.

Consumers reported using coupons with 3 percent of their purchases (unchanged from last year) and that 16 percent of the units were bought on some type of retailer promotion (up 1 point).

Trade channels-share of all outlet unit sales

Trade channels	Percentage share of sales	Unit/buyer	Penetration
Drug store	39%	2.5	14%
Mass merchandiser	34	2.3	13
Supermarket	19	2.2	8
Other non-food	6	2.4	2
Other food	1	1.7	1
Convenience store	<1	1.8	<1
Warehouse club	<1	1.7	<1

Channel development based on 9,391 actual purchase transactions.

Consumer characteristics

Lifestage groups—share of all outlet unit sales

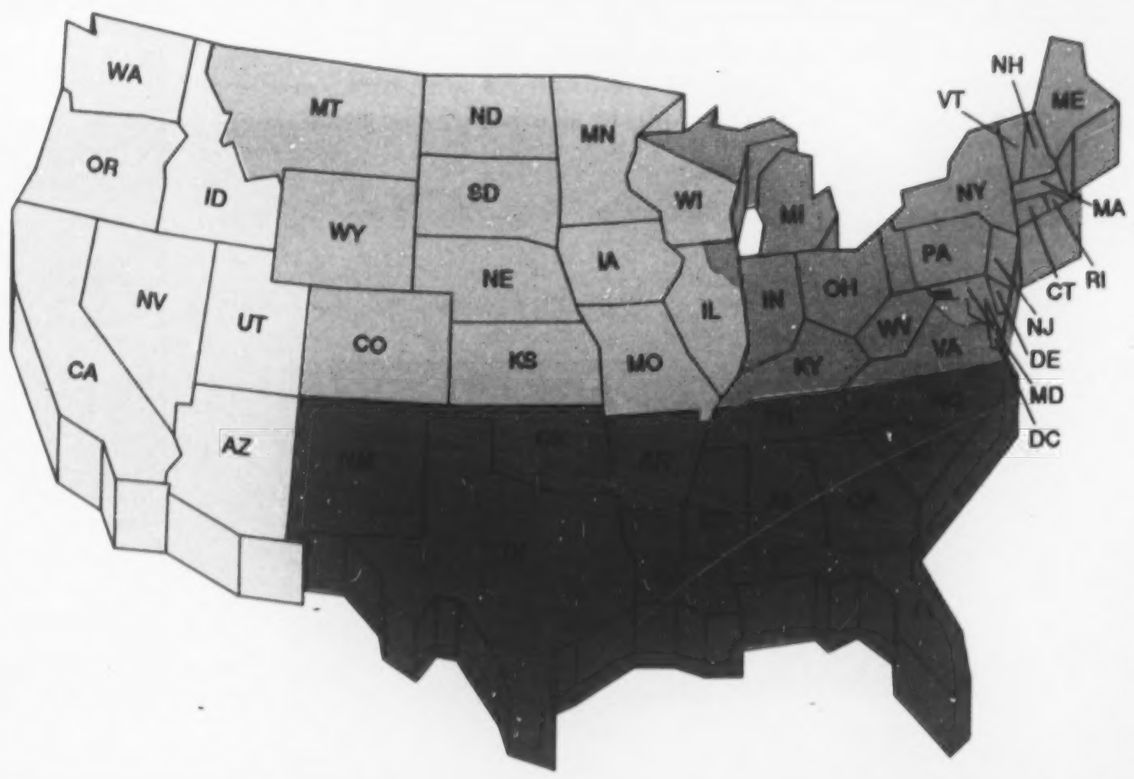
Lifestage groups	Percentage share of sales	Index	Average price	Penetration
Young singles	3%	64	$2.43	18%
Young couples/no children	3	57	2.75	20
New families	5	67	2.49	25
Maturing families	25	117	2.46	35
Established families	12	158	2.70	47
Mid-age singles	5	73	2.71	21
Mid-age couples/no children	11	109	2.76	33
Empty nester	26	113	2.74	37
Older singles	10	78	2.87	25

1991 Buyer characteristics	% Hhlds	Penetration	% Buyers	% Volume
Households with no children	65%	29%	60%	59%
Households with children <13	28	32	29	29
Households with any teenagers	14	43	19	20
White households	86	31	87	87
Black households	11	27	10	11
Hispanic households	6	43	9	10
Metro (A and B counties)	72	31	73	76
Households with cable	59	32	60	62

Geographic region—share of all outlet unit sales

Geographic region	Percentage share of sales	Index	Average price	Penetration
South	31%	102	2.61	33%
Pacific	21	119	2.75	34
Northeast	19	87	$2.68	28
East Central	15	108	2.50	32
West Central	14	86	2.60	28

Consumer characteristics based on 17,316 actual purchase transactions.
Source: Nielsen Marketing Research, NPD/Nielsen Inc.



Pacific | West Central | East Central | South | Northeast

Purchase dynamics	1990	1991	Change
Household penetration	29.6%	31.0%	1.4 pts
Purchase occasions (annual)	2.0	2.2	7.9%
Units per purchase	1.2	1.3	4.9%
Dollars per purchase	$3.18	$3.44	8.2
One-time buyers	50%	48%	−2 pts
Male primary purchase	8%	7%	−1 pts

Other definitions
1. Index: 100 equals average household buying level.
2. Penetration: Percentage of households purchasing at least once during measured period.
3. Price: Average price paid.
4. Unit/buyer: Units purchased by household during measurement period.

Source: Nielsen Marketing Research, NPD/Nielsen Inc.

Lifestage groups: What they mean
Young singles: Single-member households. Ages 18-34.
Young couples: No children. Age range 18-44.
New families: Couples with children under 6.
Maturing families: Couples with children under 12.
Established families: Couples with teen-age children.
Middle-age singles: Single-member households. Ages 35-54.
Middle-age couples: No children. Ages 35-54.
Empty-nesters: Two-plus-member households. Ages 55 or older.
Older singles: Single-member households. Ages 55 or older.

Clear forms and a focus on men freshen deodorant sales

The arrival of new and repositioned men's deodorant products could take a bigger bite out of unisex brands. Sports themes are popular among male users.

The deodorant/anti-perspirant category heats up with the introduction of clothes-friendly clear forms, new men's products, technology and scent innovations and more choices for consumers with sensitive skin.

By Allene Symons

Deodorants and anti-perspirants are a very personal product, so it's no surprise that manufacturers play up every personal image angle to reach men, women, teens and consumers with sensitive skin. At the same time, manufacturers continue to cover their bets with unisex product for multi-user households.

But with a trio of new men's products reportedly ready to launch this fall, some unisex deodorants could lose shelf space to products with stronger gender identity.

Women already buy more product in the deodorant/anti-perspirant category than do men. Most women choose an anti-perspirant, a stronger formulation with an aluminum complex as the active ingredient, while men often choose a deodorant or a female shopper buys it for them. When Fabergé introduced its Lady Power Stick line last fall, it launched only in the anti-perspirant form.

The hottest news rocking the category, as McKesson buyer Rhea Palmer notes, is the clear formulation first released earlier this year.

"Right now, the big trend in deodorants is clear—Ban, Mennen. Those items are really taking off," says Palmer.

The reason for the action with Mennen's Lady Speed Stick Crystal Clean and Ban Clear—as Ban's ads proclaim—is that it doesn't "mess your dress." The aluminum active ingredient in anti-perspirants leaves a white deposit on the skin and clothing, while clear does not.

Robin Koon at the Horton & Converse chain in California also notes that clear gives the perception of a natural product, a plus for today's consumer.

Since the anti-perspirant represents more dollars than the deodorant, retailers are hoping for a clear anti-perspirant technology breakthrough soon. Plus, the men's market is ripe for conversion away from chalky underarms and toward more sport and fitness definition.

Gender sells

New on the market this summer is Mennen's Speed Stick Hypo-allergenic sensitive skin formula, the first of its kind for men. Deodorant manufacturers are tight lipped about other soon-to-be-introduced products for men. Arrid would not confirm reports that it is introducing a new clear deodorant for men this fall—and, according to several reports, reps are already showing a clear gel from Gillette.

Although Gillette's policy is not to discuss unreleased product, buyers told *Drug Store News* that Gillette will introduce a coordinated line of men's products. Premium priced, it would be the first mass market line to offer what one buyer calls "orchestration" in a male scent. Says another buyer: "I think the Gillette introduction will draw men away from unisex deodorant into using a brand designed for males."

Everyone wants a bigger share of the mens' market. Fabergé Power Stick recently moved from a lower-priced to a higher efficacy positioning, backed by its Jimmy Connors media campaign ("50 percent more power per stroke") which broke in May.

Women won't be neglected in upcoming campaigns, however. Ready to ride in on the success of its Shower to Shower bath powder, a tie-in deodorant for women from Johnson & Johnson "is on the horizon this year," says J & J's Jeff Leebow. And Gillette is repositioning Dry Idea, initially launched as unisex, for the female market.

Also look for more teen/young women segmentation. Gillette's Soft and Dri already skews to a younger female group as does Ban's Fresh and Dry. Mennen's Teen Spirit anti-perspirant/deodorant offers a separate choice for a highly self-conscious group.

Bartell's Lisa Scott calls the Mennen line "fun, with flowery fragrances" and adds: "Teen Spirit did better than expected. I thought teenagers would not want to use something designated for teens."

Carter-Wallace's Lady's Choice tempts female consumers with a new peach scent. The novelty or curiosity factor plays well at first, says Koon at Horton & Converse: "It seems whoever comes out with newest one—bam! It sells well, then sometimes it dies. I feel that people tend to experiment."

Scent menu

Mitchum's anti-perspirant is one of the few lines staying with basic scents—scented, unscented and powder for Lady Mitchum. "We're not looking to be the flavor-of-the-month club," says Alida Curcio, Revlon's senior vp of marketing.

One high-volume buyer told *Drug Store News* that regular scent still commands around 25 percent of this firm's deodorant/anti-perspirant sales, baby powder about 20 percent, unscented 10-12 percent, clean/fresh 10 percent and sports/spice 10 percent, with the remainder in other scent categories. Bartell's Scott reports that unscented deodorants sell very well in her market. She also notes that the "fresh" scents sell cross gender.

Says Gillette's assistant communication manager Michelle Szynal: "Our research shows that the biggest trend isn't in fragrance but micro-encapsulated technology—when fragrance is released over time during the day. This is activated by heat, so more fragrance is released as you need it."

By the end of this year, all Gillette's products will feature this technology, says Szynal. Helene Curtis's body-heat activated Degree aims for a similar market segment, while other lines like Mennen are also formulated with "micro capsules."

New technology

Clear deodorants contributed to a shift in the deodorant/anti-perspirant market in the last 12 months ended July 1992. Anti-perspirant sales

Continued on page 56

Deodorant/anti-perspirant sales trends

Segment	Current 12 mo. $ (millions)	Prior 12 mo.	Current 12 mo. share	Prior 12 mo. share	$ vol. % change
Solids/sticks	$199.4	$190.7	55.1%	53.1%	5%
Roll-ons	74.2	77.4	20.5	21.6	– 4
Sprays	70.7	75.7	19.6	21.1	– 7
Creams	8.0	8.8	2.2	2.5	– 10
All others	5.4	6.1	1.5	1.7	– 11
Pumps	4.0	0.4	1.1	0.1	872
Totals	361.8	359.1	100.0	100.0	+ 1

Source: Towne-Oller & Associates, 12 mos. ended July 1992.

Clear forms and mens' deodorants freshen sales

Continued from page 55
dipped from $281.2 million to $273.7 in factory sales during that period, while the smaller deodorant market moved up 13 percent from $77.9 to $88 million, according to Towne-Oller. Among the half dozen forms, solids/sticks showed the most growth with a 5 percent increase.

Koon of Horton & Converse reports, "sticks are clearly what's happening. A couple of years ago roll-ons were hot."

According to Mennen spokesperson Jennifer Marcus, the stick/solid is the leading form for both men (61 percent) and women (51 percent). For women, next in popularity is the roll-on (33 percent) while men equally prefer roll-ons and aerosols (18 percent for each).

Sprays, pumps and aerosols appeal as a noncontact form for multi-user households and to many men who prefer a fast spritz rather than a roll-on trail on their underarm hair.

But aerosols are declining in sales, both due to consumer awareness and as states like California and New York move closer to environmental regulations restricting volatile organic compounds.

The latest noncontact deodorant is the pump, introduced last year in Old Spice and Sure ProPump from Procter & Gamble, a form which reached factory sales of $4 million from a half million the previous year. But the noncontact market is still untamed, say buyers.

One high-volume buyer observed that the pump seems too wet, while another buyer from a Midwest chain says of the pump: "I think people perceive the small bottle as not having as much value" as larger forms.

On the other hand, P & G's Kimberly Steward reports that consumers are responding favorably to the pump's portable convenience, plus she notes that it offers advantages for shelf display.

Sweet price

Buyers generally agree that deodorant manufacturers price against the brand targeting the same market segment or offering comparable benefits.

In a different strategy, Helene Curtis's Suave deodorant

Continued on page 58

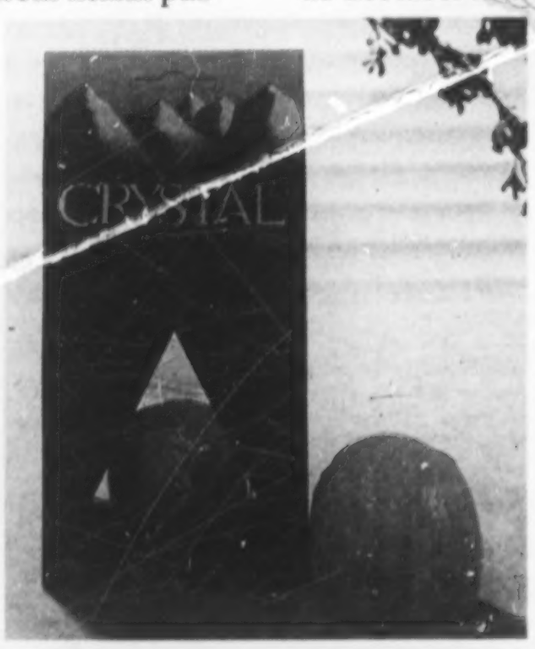
DRUG STORE NEWS
ADVERTISEMENT

Inferior natural deodorant knock-offs a liability risk for drug stores

Falsely labeled knock-offs of French Transit's Crystal Body Deodorant threaten the niche the product has created.

BURLINGAME, Ca.—French Transit, Ltd. has created a niche in the deodorant category out of a crystal-like stone made of mineral salts which is made in France.

Since it's introduction in 1984, the company's Crystal Body Deodorant, a 100 percent natural product made of nothing but natural mineral salts, has singlehandedly created a new upscale niche in the category, has garnered support from health publications and has even been recommended by physicians for patients with sensitive skin.



But success has had its down side for the company. In the past two years, a wave of inferior knock-offs have been brought to the market. French Transit president Jerry Rosenblatt fears that those products may undercut the solid reputation of his product and erode the niche Crystal Body Deodorant has created.

"The knock-offs could really harm the category if consumers have a bad experience with one of those products," said Rosenblatt. A bad experience may be likely, he says, since none of the knock-offs contain potassium, the mineral salt that makes the product effective.

When moistened and spread under the arm (or on the feet), the palm sized crystalline stone leaves an invisible trace of mineral salts on the skin. Rather than clogging the pores the way antiperspirants work or masking the odor as other deodorants do, Crystal Body Deodorant actually eliminates odor by killing the bacteria that causes odor,' said Rosenblatt.

More than market encroachment

French Transit has had an independent lab do tests on all knock-off products on the market and found that not one contained potassium, although two claimed to. Many contained nothing but aluminum. Other products were found to contain carcinogenic materials.

"These knock-off products are imported from the Orient and either do not label their ingredients or falsely state them," said Rosenblatt. This is a clear violation of FDA regulations, but since manufacturers are not required to send their packaging to the FDA, the packaging often goes undetected for some time by the agency. These products are being sold illegally in the U.S. and at least one of these products also violates U.S. customs regulations as well.

By falsely stating their ingredients, the products are guilty of false advertising and are involving stores in liability to the consumer.

"These products are trying to blur the distinction between Crystal Body Deodorant and their products," said Rosenblatt. If these knock-off products correctly stated their ingredients, the consumer would know that there is no similarity. "They are surviving off the marketing and advertising French Transit has done to create the category and maintain the demand for the product," said Rosenblatt. "Many of the products are packaged to resemble our product and that confuses customers."

Rosenblatt said that along with the glowing letters the company has received for Crystal Body Deodorant, French Transit has also received angry letters from customers complaining about knock-offs they mistakenly believed to be French Transit's product.

Rosenblatt also fears that the knock-offs will undercut the support the hypoallergenic product has received from the medical community.

Buyers: Beware

Buyers should be cautious when looking at products that claim to have the same benefits as Crystal Body Deodorant. "With any product, any time you're looking at a knock-off, you're looking at an inferior product. In this case, buyers are really being offered junk," said Rosenblatt.

"Buyers have to be careful and think about what they are offering to their customers. Many of these products imported from the Orient aren't tested and can be very harmful to consumers. These fly-by-night operations could be out of business tomorrow, and stores can be left with a tremendous liability from consumers," he said.

What's his advice to buyers? "You can't just buy on price. Ask for proof of ingredients and be very wary of any thing that looks like a knock-off. Buy the real thing."

The first—and only—upscale deodorant

▲Crystal Body Deodorant is natural, contains no harmful chemicals, dyes or perfumes. It's not sticky and doesn't stain clothing, clog pores or irritate the skin, even after shaving.

▲The product carries a suggested retail price of $9.95 and lasts for a minimum of one year, making it a bargain for the consumer.

▲Crystal Body Deodorant has created sales without cannibalizing sales of other deodorants.

For more information on Crystal Body Deodorant, please call or write French Transit, Ltd., (800) 829-ROCK, 1745 Adrian Rd., Burlingame, CA 94010

'Green' deodorants safe for the earth

A unique product in the emerging natural deodorant category is Crystal Body Deodorant, a deodorant in the shape of a crystal stone, from French Transit in Burlingame, Calif.

The unscented product contains natural mineral salts which kill odor-causing bacteria "and still allow the body to perform properly all day long with no odor," explained French Transit president Jerry Rosenblatt. He notes that it sells in line and as a cosmetic impulse item (SRP $9.95), and since it makes a good conversation piece, Crystal body deodorant does "a huge Christmas business," says Rosenblatt.

Tom's of Maine natural deodorant and anti-perspirant (in stick and roll-on) target consumers who have a reaction from other products. Its deodorant includes ingredients such as lichen and coriander, and is alcohol- and petroleum-free; the antiperspirant includes aluminum sulphate but has a "fairly large molecule so it is not absorbed by the skin," Catano explains.

Environmentally packaged, the glass roll-on units are refillable (top pops off) and recyclable. Although priced higher than other deodorants, Catano explains, "when [consumers] buy the refill system they begin to see significant savings."

Only **one** cold sore treatment has **sunscreens** to **protect & prevent:**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Hope to see you in **Denver** at
Exclusively HBA, Booth **4431**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Clears, mens' deodorants freshen sales

Margins are "all over the board."

—Midwest buyer

Continued from page 56

goes straight for the budget consumer, since it is priced 25-30 percent below other brands, according to John Achenbaum, director of marketing resources and strategic planning for Curtis.

"Suave was doing well before the recession and it's doing quite well during the recession," adds Achenbaum.

Revlon also targets the economy segment with its Hi & Dri deodorant and anti-perspirant in both roll-on and solid. Since its deodorant is available in three scents—and only in solid form—this skews Hi & Dri toward the men's market.

When it comes to margin, the buyer for a Midwest chain notes that for deodorant, margins are "all over the board—a few pennies on Speed Stick, on the less popular ones we make more."

Amid category clutter, says Revlon's Bronner, "deodorant is becoming commoditized. Mitchum is the only premium priced anti-perspirant out there." From the trade perspective, she notes, Mitchum offers product differentiation, price point and margin.

It takes big bucks to launch a new deodorant. "There is brand loyalty in deodorants and it will take a lot to get customers to switch, so manufacturers come out with marketing programs that are dynamite," notes McKesson's Palmer.

On the new premium priced Gillette line—which buyers report is slated for TV launch on the Superbowl—a regional chain buyer remarks: "Although Gillette is premium priced, I think you'll see people footballing [prices] around Superbowl. They will want their piece right away."

Compact packaging opens space race

Packaging is on the move this year with new lines, brand repositioning, new technology and reduced-waste cartons in the deodorant/anti-perspirant category.

An example is Bristol-Myers' Ban Clear solid stick, which comes in a see-through "snugfit" carton and is designed for minimum package waste, according to spokesperson Susan Spedale.

Gillette's Dry Idea, Right Guard and Soft & Dri are also packed "tuckless" or with no outer packaging.

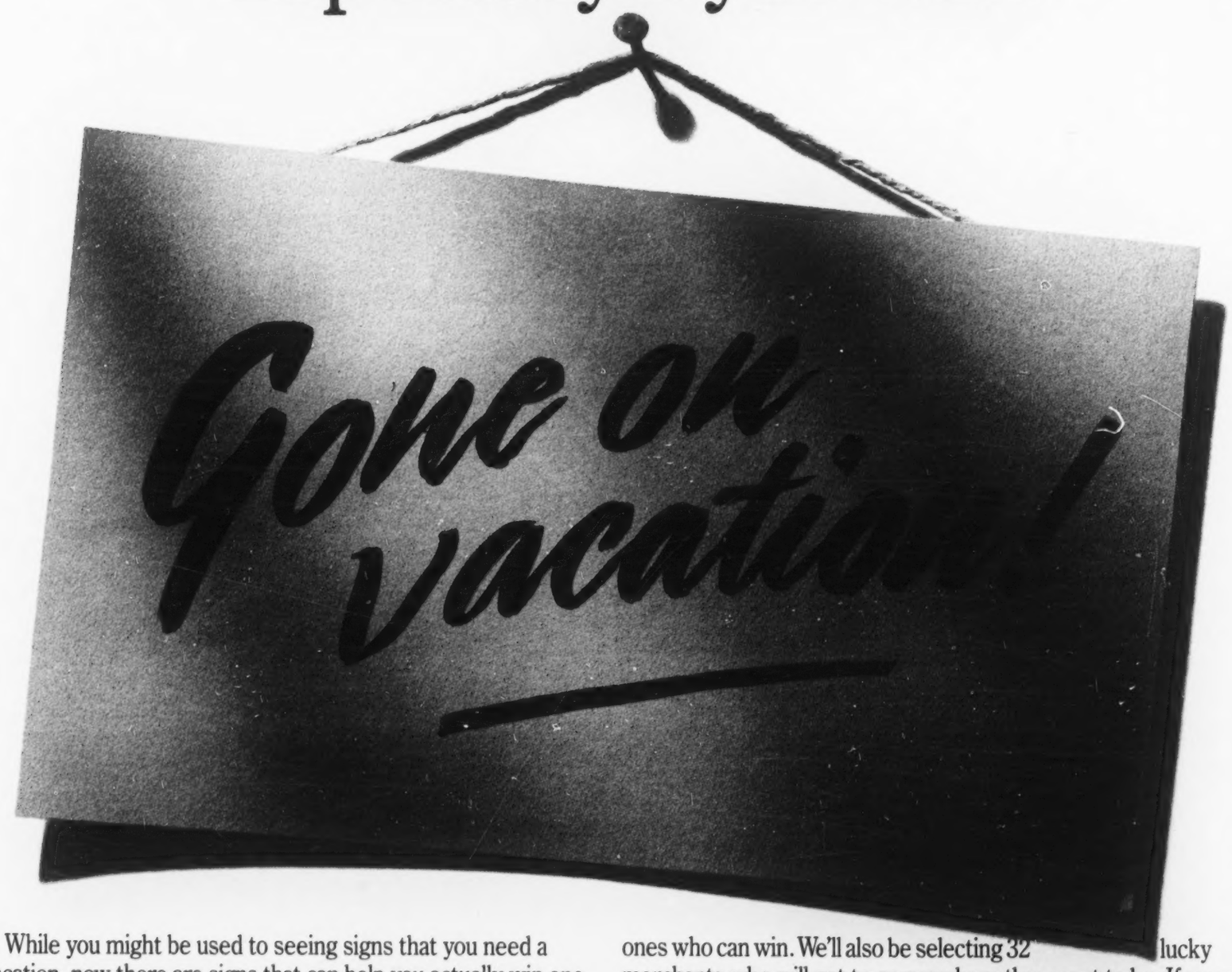
The low-waste clear deodorant packaging shows all.

But as one Midwest buyer comments: "The only thing I question is that with clear packaging, consumers actually see how much product they're not getting."

Beside helping the environment, another plus from reduced packaging, is more shelf space, which encourages manufacturers to rush in with line extensions.

As one high-volume buyer notes: "A lot of these products are coming out of the box and this makes more room on the shelf. If I was a marketer, I would want to fill the room in a planogram."

With Visa's latest promotion, you'll have to display some signs. Especially if you win.



While you might be used to seeing signs that you need a vacation, now there are signs that can help you actually win one. Just enter the Visa® "Anywhere You Want To Be" merchant sweepstakes.

Simply give us a call or fill out the entry form, and we'll send you several small signs to display near your cash register. These signs will tell your customers that by using their Visa cards to make a purchase, they could win a vacation to "Anywhere They Want To Be."

But they're not the only ones who can win. We'll also be selecting 32 lucky merchants who will get to go anywhere they want to be. If your entry is chosen and the Visa signage is properly displayed when our mystery shopper visits your store, between November 23 and December 24, you can win the vacation of your dreams.

So get your entry in ASAP. Or call 1-800-538-2700 to sign up by phone. After all, you not only deserve a vacation. We thought a promotion would be nice as well.

VISA

Please enter me in the "Anywhere You Want To Be" Sweepstakes

☐ Send me FREE P.O.P. materials (table tent, register sticker, and ad slick)

Your Name (must be a manager)

Store Name

Store Address

City State Zip

Store Phone Number

Type of Business Number of Cash Registers

Complete and mail to:
Visa "Anywhere You Want To Be" Merchant Sweepstakes,
P.O. Box 7351,
Villa Park, IL 60181-7351.
Must be received by Nov. 16, 1992.

54-555

NO OBLIGATION OR PURCHASE NECESSARY. To enter and receive a free point-of-purchase (P.O.P.) kit call 1-800-538-2700 or complete entry form and mail to: Visa Merchant Sweepstakes, P.O. Box 7351, Villa Park, IL 60181-7351. Alternatively, for entry only, hand print your store name and address, phone number, your name, title and "Visa. It's Everywhere You Want To Be" on a 3" x 5" card and mail to: Visa Merchant, P.O. Box 8606, Elmhurst, IL 60126-8606. One entry per envelope; no mechanical reproductions. Entries must be received by 11/16/92. Void where prohibited. 32 prizes will be awarded in random drawings on or around 11/17/92. Stores selected in drawing must conspicuously display Visa "Anywhere You Want To Be" P.O.P. signage near cash register or payment location between 11/23/92 and 12/24/92 to win prizes. Selected stores will be mystery shopped to determine compliance. Alternate entries selected will not be mystery shopped. Each prize is a trip for two to "Anywhere You Want To Be" with a total value not to exceed $15,000. Trip will be awarded as follows: $9,000 travel allowance to be used for travel related expenses; $1,000 in Visa Travelers Cheques; and $5,000 cash applicable towards taxes on prize. Winner must execute affidavit of eligibility, in a timely manner. Winner and their travel guest must execute a liability/publicity release. Travel subject to availability and must be completed by 12/31/93. Sweepstakes open to store owners/management (18 years and older) of retail establishments in the continental U.S., Alaska and Hawaii accepting Visa cards as method of payment as of 11/16/92. Employees and immediate families of employees of Visa U.S.A. Inc. and Visa International Service Association, their subsidiaries, affiliates, Member financial institutions, and advertising and promotion agencies of Visa are ineligible. For complete details, see full official rules available by sending a self-addressed, stamped envelope to: Visa Merchant/Rules, P.O. Box 8610, Elmhurst, IL 60126-8610. Promotion ends 12/24/92. Odds of winning depend on number of eligible entries.

© Visa U.S.A. Inc. 1992

For extra profits, **display** & **recommend** with **suncare** products.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Hope to see you in **Denver** at *Exclusively HBA*, Booth **4431**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Fay's profit, earnings jump credited to cost controls

LIVERPOOL, N.Y. — Fay's reported a 136 percent climb in net earnings for the second quarter ended July 25, to $2.94 million from $1.25 million in the same year-earlier period. Revenues, meanwhile, rose 4.3 percent to a record $216.4 million from $207.4 million in the comparable period a year ago. Comp-stores sales were up 2.2 percent.

The huge increase actually reflects an improvement over a poor quarter in 1991. "Last year's second quarter was affected by write-offs for the acquisition of the Carl's chain," explained Warren Wolfson, Fay's senior vp, general counsel and secretary.

For the first half of this year, Fay's net earnings were $4.48 million, compared with $3.08 million for the first six months of last year. Six-month revenues rose 11.4 percent to a record $428.5 million, from $384.6 million a year earlier. Comparable store sales for the first half edged up 1.6 percent.

Chairman Henry Panasci, Jr., the chairman of Fay's , said that despite the ongoing recession and poor weather conditions that depressed sales of seasonal and general merchandise during the quarter, the chain's cost controls and focus on strengthening sales performance combined to improve earnings.

"We consolidated our office space and reduced office staff by about 45 people last year and we are seeing the benefits of that now," he said.

Moreover, Wolfson said scanning is bringing big savings at store level.

"At the end of fiscal 1992, we had scanners in all of our Fay's locations and we are beginning to put scanners in Carl's stores. That gives us a good handle on inventory levels and prevents us from carrying too much inventory," Wolfson said.

The chain is also intensifying its advertising program in selective markets and placing greater emphasis on value pricing in many stores.

"We are becoming a hybrid of high-low and everyday-low-pricing. Added value is a theme throughout the organization," Panasci said.

Genovese shows increase in sales in second quarter

MELVILLE, N.Y. — Despite a New York metro area economy that's still in the doldrums, Genovese reported a sales increase of 4.5 percent for the second quarter ended Aug. 14, 1992. Sales for the period were $105.01 million compared with $100.52 million one year ago. Net income was down slightly to $1.21 million from $1.22 million for the same period one year ago.

For the first half of the year, Genovese's sales were $243.11 million, which is 4.1 percent ahead of the $233.46 million for the same period one year ago. The chain's net income was $2.45 million vs. $2.68 million from one year ago.

"We are still behind our figures from one year ago," said Don Gross, vp and director of marketing of the chain.

"Our sales are still disappointing, but by watching our expenses, we've been able to post relatively good figures," Gross added.

Hope to see you in **Denver** at *Exclusively HBA*, Booth **4431**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The **only** cold sore product that **treats, protects** & helps **prevent** them.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

MARKET DIARY:

Largest Dollar Gainer	Albertson's	$ 4.88	Advances	34
Largest Dollar Loser	Merck Co.	$ – 3.50	Declines	23
Largest Percentage Gainer	Moore Medical	12.50%	Unchanged	5
Largest Percentage Loser	ICN Pharmaceutical	– 20.55%	New highs	5
			New lows	3

	Close 8/25/92	Close 9/15/92	Net Change	Percent Change
Drug Store News Index	4596.24	4635.26	39.02	0.85
Dow Jones Industrial Average	3232.22	3327.32	95.10	2.94
Standard & Poor's 500-Stock Index	411.61	419.77	8.16	1.98
N.Y.S.E. Composite	226.47	231.04	4.57	2.02
Value Line Index	243.12	249.66	6.54	2.69

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 8/25/92	Closing Price 9/15/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.38	5.38	0.00	0.00	15	0.00	0.00	5.75	3.47
OTC	Arbor Drugs	ARBR	20.25	21.50	1.25	6.17	22	0.12	0.56	25.25	17.50
OTC	Big B	BIGB	13.63	14.00	0.38	2.75	14	0.20	1.43	16.25	10.63
OTC	Drug Emporium	DEMP	4.38	4.75	0.38	8.57	—	0.08	1.68	9.25	3.63
NYS	Fay's Inc.	FAY	7.63	8.00	0.38	4.92	15	0.20	2.50	10.81	6.59
ASE	Genovese Drug	GDX.A	7.88	8.25	0.38	4.76	9	0.24	2.91	14.75	7.50
NYS	Longs Drug Stores	LDG	36.63	34.88	– 1.75	– 4.78	13	1.12	3.21	40.00	33.13
OTC	Medicine Shoppe	MSII	23.75	25.75	2.00	8.42	18	0.36	1.40	30.75	21.25
NYS	Perry Drug	PDS	8.13	8.25	0.13	1.54	11	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	21.75	20.88	– 0.88	– 4.02	14	0.52	2.49	22.75	17.25
NYS	Walgreen Co.	WAG	39.00	38.13	– 0.88	– 2.24	22	0.52	1.36	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	18.75	19.88	1.13	6.00	15	0.40	2.01	22.88	16.00
OTC	Bindley Western Ind.	BIND	16.38	15.63	– 0.75	– 4.58	10	0.04	0.26	20.75	13.50
OTC	Cardinal Distribution	CDIC	27.50	28.50	1.00	3.64	20	0.08	0.28	38.75	22.50
OTC	Durr-Fillauer	DUFM	33.25	32.75	– 0.50	– 1.50	24	0.28	0.85	33.50	17.50
NYS	FoxMeyer Corp.	FOX	12.38	12.38	0.00	0.00	13	0.28	2.26	16.63	10.38
NYS	McKesson Corp.	MCK	36.38	38.00	1.63	4.47	43	1.60	4.21	40.13	30.25
ASE	Moore Medical (H)	MMD	8.00	9.00	1.00	12.50	20	0.00	0.00	9.38	3.00
NYS	Owens & Minor	OMI	17.75	17.88	0.13	0.70	17	0.24	1.34	24.25	16.00
Manufacturer's transactions											
NYS	Abbott Labs	ABT	30.25	30.00	– 0.25	– 0.83	22	0.60	2.00	34.88	26.13
NYS	American Home Products	AHP	73.50	71.13	– 2.38	– 3.23	15	2.60	3.66	86.25	66.13
ASE	Barr Laboratories	BRL	10.63	10.38	– 0.25	– 2.35	346	0.00	0.00	37.50	5.88
NYS	Baxter International	BAX	37.13	34.75	– 2.38	– 6.40	17	0.84	2.42	40.88	33.13
OTC	Block Drugs Co.	BLOCA	46.50	47.25	0.75	1.61	15	0.88	1.86	61.00	42.50
ASE	Bolar Pharmaceutical	BLR	9.25	9.75	0.50	5.41	—	0.00	0.00	14.50	5.38
NYS	Bristol-Myers Squibb	BMY	67.25	67.25	0.00	0.00	17	2.76	4.10	90.13	62.00
NYS	Carter-Wallace	CAR	25.13	28.13	3.00	11.94	28	0.32	1.14	45.84	22.88
ASE	Columbia Labs	COB	5.13	4.50	– 0.63	– 12.20	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	19.50	19.13	– 0.38	– 1.92	13	0.28	1.46	24.38	16.88
ASE	Forest Labs	FRX	38.25	38.50	0.25	0.65	32	0.00	0.00	42.88	30.00
ASE	Halsey Drug	HDG	6.75	7.00	0.25	3.70	23	0.00	0.00	9.75	5.63
NYS	ICN Pharmaceutical	ICN	9.13	7.25	– 1.88	– 20.55	17	0.00	0.00	25.38	5.63
NYS	Johnson & Johnson	JNJ	49.13	50.50	1.38	2.80	21	0.92	1.82	58.69	42.38
ASE	Lee Pharmaceutical	LPH	1.25	1.13	– 0.13	– 10.00	—	0.00	0.00	2.13	0.75
NYS	Lilly Eli Co.	LLY	67.00	67.88	0.88	1.31	14	2.20	3.24	87.75	63.63
NYS	Marion Merrell Dow	MKC	27.63	27.63	0.00	0.00	12	1.00	3.62	39.00	25.75
NYS	Merck Co.	MRK	51.00	47.50	– 3.50	– 6.86	24	1.00	2.11	56.59	42.25
NYS	Mylan Labs (H)	MYL	24.13	26.88	2.75	11.40	48	0.12	0.45	27.50	15.75
NYS	Novo-Nordisk (H)	NVO	93.63	94.00	0.38	0.40	17	0.60	0.64	96.75	72.75
OTC	Nutramax Products	NMPC	8.13	8.13	0.00	0.00	20	0.00	0.00	12.50	6.75
NYS	Pfizer Inc.	PFE	80.50	79.63	– 0.88	– 1.09	35	1.48	1.86	87.00	62.50
NYS	Pharmaceutical Resources	PRX	6.13	5.38	– 0.75	– 12.24	—	0.00	0.00	8.00	3.25
NYS	Rhone-Poulenc Rorer	RPR	50.75	50.25	– 0.50	– 0.99	19	0.72	1.43	69.38	46.50
NYS	Schering Plough	SGP	60.38	59.38	– 1.00	– 1.66	18	1.56	2.63	68.00	49.88
NYS	Syntex Corp. (L)	SYN	28.25	28.38	0.13	0.44	14	1.04	3.67	56.00	27.50
OTC	Taro-Vit Industries	TAROF	8.25	7.75	– 0.50	– 6.06	65	0.00	0.00	12.75	3.75
OTC	Teva Pharmaceutical Ind. (H)	TEVIY	25.38	27.13	1.75	6.90	27	0.20	0.74	28.75	15.00
NYS	Upjohn Co.	UPJ	33.75	34.50	0.75	2.22	11	1.36	3.94	47.88	31.00
NYS	Warner-Lambert	WLA	66.75	66.25	– 0.50	– 0.75	47	2.04	3.08	79.25	58.38
OTC	Zenith Labs	ZENL	12.50	13.00	0.50	4.00	—	0.00	0.00	24.50	9.63
Other retailer transactions											
NYS	Albertson's (H)	ABS	40.00	44.88	4.88	12.19	25	0.64	1.43	47.50	32.75
NYS	American Stores	ASC	35.75	39.13	3.38	9.44	17	0.68	1.74	40.38	26.00
NYS	Giant Food (L)	GFS.A	20.25	18.00	– 2.25	– 11.11	15	0.68	3.78	26.25	17.75
NYS	Great Atlantic&Pacific Tea	GAP	26.63	26.50	– 0.13	– 0.47	—	0.80	3.02	35.38	25.00
NYS	Kmart	KM	23.25	24.25	1.00	4.30	13	0.92	3.79	27.50	19.06
NYS	Kroger	KR	12.00	12.75	0.75	6.25	14	0.00	0.00	21.13	11.25
NYS	Melville Corp.	MES	47.38	50.50	3.13	6.60	15	1.48	2.93	52.00	38.25
OTC	Fred Meyer	MEYR	25.25	26.63	1.38	5.45	14	0.00	0.00	29.25	19.75
NYS	Penney, JC	JCP	66.88	68.63	1.75	2.62	24	2.64	3.85	73.50	47.25
NYS	Safeway (L)	SWY	11.38	10.50	– 0.88	– 7.69	19	0.00	0.00	20.25	10.00
NYS	Smith's Food & Drug	SFD	29.63	32.63	3.00	10.13	19	0.44	1.35	43.25	25.75
NYS	Wal-Mart	WMT	57.38	58.50	1.13	1.96	38	0.20	0.34	59.88	45.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 17 Sept. 28, 1992

The newspaper of chain drug retailing

October 12, 1992

DRUG STORE NEWS®

SECOND CLASS

Vol. 14 No. 18

A Lebhar-Friedman publication

Fresh competition on the West Coast

Sav-on Express takes off

Sav-on Drug in California launched its new Sav-on Express chain the last week in September when signs went up on 62 former CVS drug stores with pharmacies acquired earlier this year; HBA stores will remain under the CVS logo, said Kevin Tripp, vp-advertising and sales, American Drug Stores, Sav-on's corporate parent. New Sav-on Express ads were expected to break at presstime, and store interior changes should begin around the same time, local sources said.

F&M nets $33.5M—more than expected

WARREN, Mich. — F&M Distributors found as receptive an audience for its newly issued stock on Wall Street as it has for the HBA and other products it offers in its stores. The nation's third-largest deep discounter made its first public stock offering Sept. 25 on the NASDAQ over-the-counter exchange, selling a total of 3.5 million shares at $15 each.

The offering included 2.4 million new shares issued by F&M and an enlarged offering of 1.1 million shares sold by owner Michael Timmis and other early, private investors connected with Talon, Inc., which led the takeover of F&M in 1977. After underwriting fees, the stock sale netted F&M $33.5 million with which to pay down debt—a figure higher than that originally projected.

1993 and beyond

"The IPO came in at the high range of our expectations," said Laura Kendall, senior vp of central operations and cfo. "The reduction in debt positions us to move forward with our business plan for 1993 and beyond."

The chain plans to use its increased leverage to open up to 18 new stores next year, Kendall said.

F&M's stock trades under the ticker symbol "FMDD."

Spotlight on cosmetic fixtures 9

Thrifty set to grow with Green's thumb

In an exclusive interview, Yingling reveals a two-part plan focused on health care and neighborhood marketing. Shorter term, new owners of Thrifty Corp. and subsidiary Thrifty Drug plan to maneuver the 602-store drug chain through this recession with a boost from Thrifty Corp.'s beefed up financial engine.

By Allene Symons

LOS ANGELES — Thrifty Corporation ownership changed hands at the end of September as holding company Pacific Enterprises stepped aside and Thrifty's new owners took the wheel—Leonard Green & Partners, along with senior members of Thrifty's management team.

The deal strengthens Thrifty Corp.'s financial position by retiring over $500 million of debt and by the cash infusion of more than $300 million dollars into Thrifty Corp., which includes four subsidiaries: Thrifty Drug, Bi-Mart discount membership chain and two sporting goods chains. The Big 5 sporting goods chain was acquired by Leonard Green & Partners in a separate transaction.

Thrifty Corp. chairman and ceo Bill Yingling met with *Drug Store News* just after the final deal was announced to talk about evolving plans for the 602-store Thrifty Drug Stores, the largest of Thrifty Corp.'s retail subsidiaries and also the largest drug store chain in the western U.S.

Two-part plan

Health care and neighborhood marketing are central to Thrifty's new marketing strategy. "I believe the ability of a drug store to deliver a clearly professional atmosphere is superior to putting a drug store in a warehouse or combo," says Yingling.

Noting that the health care focus doesn't mean pruning strong categories like cosmetics, photo and liquor, Yingling explains that with a new emphasis on category management and utilization of data from Thrifty's store-wide POS scanning system, underperforming categories will be identified more quickly.

Cost efficiencies are essential to offset margin lost to third-party providers, he notes. Thrifty plans to pursue third-party business aggressively. This already represents 65 percent of the chain's prescription business. "We think there are opportunities which would enable us to live with lower margins," he notes, adding that one of Thrifty's goals is to achieve "the lowest cost structure in the marketplace—which doesn't mean being the low price leader."

Location a key

The concept of neighborhood marketing means working the mix and empowering store managers while mining chain cost advantages. "You have to leverage the opportunity wherever you can but not at the expense of creating stores that don't meet community needs," says Yingling. Most of Thrifty's stores are in California and serve micro markets. Its headquarters, for example, is on the border of Koreatown and Little El Salvador, not far from Bever-

Continued on page 2

NACDS restructures

Whitman Elder Perlowski Armstrong Proctor Weber

ALEXANDRIA, Va. — NACDS announced a major restructuring of its headquarter staff that should strengthen the chain drug industry association's involvement in both trade relations and pharmacy affairs.

A key element in the restructuring is the creation of a new industry affairs department, consolidating NACDS' trade relations program as well as the group's rapidly expanding conference and trade show activities.

James A. Whitman, the association's current general counsel and a 15-year veteran at NACDS, will head the new division as vp of industry affairs.

Other NACDS staffers assigned to Whitman's newly-formed department include Fitzhugh Elder III, who was promoted to director of associate member relations, and

Whitman to head new industry affairs department

Stephen E. Perlowski, who moves up to become director of industry affairs.

Perlowski, who joined NACDS three years ago, held several senior-level positions at the association, including director of trade programs and special assistant to the president.

Elder, an NACDS staffer since 1990, will be responsible for all trade show activities as well as ongoing relations with the association's 1,000 associate (supplier) members.

In a related move, NACDS announced the promotion of Katherine R. Armstrong to senior director of meeting planning—a position for which she will exercise logistical responsibilities for all NACDS meetings including the group's heavily attended Marketplace, Pharmacy and Distribution/

Continued on page 53

NEWS IN BRIEF

Rite Aid wins Maine mail order case

CAMP HILL, Pa. — Rite Aid has emerged the victor in its battle with the Maine state employee prescription program.

A Maine state court ordered that the chain be permitted to dispense long-term maintenance prescriptions to Maine state employees under the same terms and conditions as Medco Containment, Inc.

Prior to the court order, state employees were able to have acute care prescriptions filled at the pharmacy of their choice, but were forced to purchase maintenance prescriptions through Medco's mail order program.

Rite Aid took the state to court, contending that the Medco plan diminished patients' quality of care, constituted unfair business practices and pulled state monies away from the state.

FoxMeyer, Snyder's seal supply pact

DALLAS — FoxMeyer has finalized a seven-year exclusive agreement to supply Snyder's Drug Stores and its clients in the upper Midwest and Northwest.

Under the deal's terms, FoxMeyer will supply 258 drug stores owned or serviced by Snyder's with prescription and over-the-counter drugs, HBA and general merchandise. FoxMeyer will also purchase Snyder's warehouse and distribution assets.

The agreement is expected to generate $1.4 billion in revenues over the seven-year supply term.

FoxMeyer has also inked supply pacts this year with Perry Drug Stores, May's Drug Stores and Omnicare of Cincinnati.

Bergen-Durr deal nears close

ORANGE, Calif. — Bergen Brunswig Corp. announced that the $33-per-share cash tender offer was accepted for payment and represents approximately 95.7 percent of Durr-Fillauer's outstanding common stock.

Acquisition of the remaining common shares through a cash merger is expected to be completed shortly.

Newell Co. plans to acquire Intercraft

TAYLOR, Texas — Intercraft Industries and Intercraft Industries of Canada, Inc., the world's largest manufacturer of picture frames, has entered into a preliminary agreement to be acquired by Newell Company.

Newell Company, headquartered in Freeport, Ill., is a leading housewares manufacturing company with 1991 sales of $1.1 billion. The company plans to operate Intercraft as a freestanding division under the leadership of its present management team.

Intercraft's chairman, Philip Spertus, said the move was a reaction to an acquisition trend in retailing and manufacturing. A partnership with a large, high-quality company, he said, would help Intercraft operate more efficiently with its customers.

Garrity sheds light on hurricane victims

MADISON, Conn. — Garrity Industries has joined the flood of help pouring into south Florida for victims of Hurricane Andrew. The company donated 5,000 Life Light flashlights, the same type of flashlights the company sent to Operation Desert Storm and several other relief programs.

IN THIS ISSUE

FEATURES

Triple A Report 23-46

COSMETICS AND FRAGRANCES

Cosmetic Fixturing 9-12
Beauty Beat 15-17

GENERAL MERCHANDISE

Sunglasses 21
Books and Magazines ... 48-50

DEPARTMENTS

Opinion
Market Pulse 4
Washington Perspective 4
Store Manager Training 6
Product Updates 18
Finance 54

New products, growing lines tantalize Exclusively HBA buyers

Exclusively HBA's attendance has shifted, but buyers from all classes of trade found plenty of new products at the show. Aromatherapy was in and bath is still a growing category.

DENVER — Exclusively HBA may get a new time frame next year. Exclusively's principal and ceo Jay Spaulding said that the show had experienced a shift in attendance in the three years since its inception. Chain drug attendance had slipped, but attendance by membership wholesale clubs, for example, was up. Mass buyers and manufacturer representatives were at the show in strong numbers. Foreign retail operations were also evident on the show floor.

Chain drug retailers were sparse at the show, held here Sept. 22 through 24. Several chain buyers told *Drug Store News* before the show that they felt Exclusively fell too quickly on the heels of NACDS Marketplace and they were opting out of attending both shows.

Spaulding said the show has grown 18 percent in terms of manufacturers present. Nearly 400 exhibitors took up 285,000 square feet at the show. Over 100 private label and 50 ethnic suppliers were in Denver for the show. Still, Spaulding said that he would consider the question of the show's positioning in coming years.

"At first, companies felt that the timing was good since it allowed them to plan for spring and for summer. We are asking for feedback on the timing of the show from attendees this year and will consider a shift in timing based on what our responses say," he said.

Meanwhile, the show is scheduled for next year in Detroit on Sept. 21-23.

Those drug chains that did attend were pleased with the business they did at the show. Said Bill Saxon, senior vp of L.F. Widmann, Inc.: "This is my second year at the show and it's a good opportunity to meet with the people I need to see." Saxon said he was looking for opportunities to purchase manufacturers' leftover stock. "For our 155 stores, this show fits the bill," he said.

Foreign as well as domestic buyers saw Exclusively as an opportunity to see the latest in HBA. Canadian rep Randy Maxwell of Ashdown Group said that Canadians look to American manufacturers and retailers for innovative ideas. Maxwell said Exclusively HBA offered plenty to think about. "The Vuarnet skin line is interesting. It has European cachet but the products are American. It's also a unisex line, which I find interesting," he said. The line is a 14-SKU line of skin products, launched in June.

Bath lines were represented in full force at the show. In addition to the multitude of aromatherapy and just plain bath lines, some manufacturers, such as Lady Elizabeth and Natures Touch, showed a full line of loofas and natural sponges.

Kathy Covault, buyer at Drug Emporium, thought the natural sponges shown by Sponge Fishing Co., Inc. were a good addition to her bath line.

Buyers, such as Drug Emporium's Dale Rogers, were also interested in Gillette's new 12-SKU Series line of men's toiletry products, which will ship in December.

"We had high expectations for this show and we've been busier than we anticipated. There has been an overwhelmingly positive response to this line," said Irv Kempner, Gillette's director of national sales.

Lew Hendler, vp of The New L&N Sales & Marketing, Inc., felt the show was a successful one. "The relaxed atmosphere of the show gave the buyers a real opportunity to look at new products and new directions. I would credit that with the overwhelmingly positive reception of our Scuni brand of hair accessories."

HOT OFFERINGS

Here are some of the most interesting things shown at Exclusively HBA:

- If the success of its Sensor razor is any indication, Gillette's new 12-SKU Gillette Series line of men's toiletries should take off as soon as its products ship in December. The company plans to put $75 million of advertising behind the product and will include a sampling program.

- Color is out, clear is in—at least when it comes to mouthwash. Bausch & Lomb's new Clear Choice, a 100 percent alcohol-free mouthrinse, was joined by Dep's Crystal Fresh Lavoris, made with mountain spring water and Rembrandt's mouthrinse in two flavors. Both products are clear and alcohol-free.

- Loofas were everywhere. Lady Elizabeth and Natures Touch showed natural sponges and loofas. Lubriderm's Loofa bar added loofa to its formulation, as did Vuarnet's bath bar SKU in the company's new line. Surrey, Inc. put loofa into its glycerine soap bars.

- Children's lines were getting more attention. Surprise Shampoo, aimed at the 5- to 13-year-old market, includes a prize inside. Cosrich has an Aladdin line already in place for the Thanksgiving release of the Disney movie.

- Hair accessories had a department store look. Phillips introduced a Revlon licensed hair care line on rack spinners and planogrammed programs. L&N Sales and Marketing, Inc. launched its Scuni line of upscale hair accessories for mass and drug.

- Botanicals are still a driving force in hair care, from Redmond's professional-to-mass New Zealand Hair Paradise line to Freeman Cosmetic Corporation's new six-SKU Botanical Hair Line launched in June. Freeman also added three new SKUs in bath and three additional skin SKUs.

Thrifty set to grow

Continued from page 1

ly Hills.

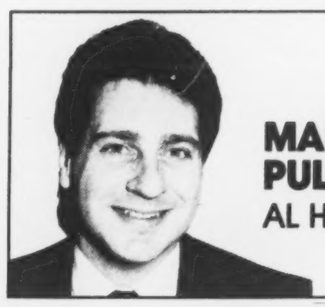
The urban multi-ethnic challenge is one side of Thrifty's market. The other, Yingling says, is its strength in good locations, "the network of stores and valuable leases. We think that's a strong plus for us competitively." Many are urban, which provides more insulation against competition than in suburbs where more space is available.

Thrifty also has a half dozen new stores scheduled for 1992, but the emphasis will be on maximizing existing stores with 65 major remodels and a total of 342 "facelifts" to be completed by Thanksgiving.

To show the evolving blueprint for the new Thrifty Drug, a fall "update" meeting for suppliers is in the planning stage along with individual sessions. Yingling expects development of a new approach to inventory distribution could be one result of the meetings. Thrifty Drug now has three distribution centers, which will be consolidated into two when it closes its Anaheim DC later this year.

The health care/neighborhood marketing strategy, Yingling explains, is intended to appeal to recession and post-recession consumers. "I think what we're seeing is more than a recession. I think Americans are adjusting their social values and the retailer must make changes. People want value today." One value equation for a drug store is convenience, like driving only a half mile to a neighborhood Thrifty. "It's value," he says.

EDLP: waste killer or marketing threat?



MARKET PULSE
AL HELLER

Will EDLP become the industry vehicle for extracting waste from the retail distribution system?

Or will the concept of everyday low price lose credibility before it has a chance to be tested—simply because it has been rigidly introduced and is being fostered by Procter & Gamble?

P&G, many retailers are quick to recall, advanced the short-lived DPP (direct product profitability) measurement in the mid-1980s, they say, because it showed them in the best light against competition. As the single-largest supplier of packaged goods to many retailers, P&G brought volume efficiencies to the market no one could match.

Feeling stung by that experience, many retailers—but certainly not all—resent what they call P&G's rigid implementation of EDLP, or contract pricing.

Reaction has been swift in some corners. Alex Grass, Rite Aid chairman, booted out 25 P&G items this summer. By culling the dogs of the mix, he freed up shelf space and inventory investment dollars. Good move, and a firm expression of his displeasure with the P&G program.

Other chains warn of similar moves, and say they're leaning toward Lever Bros. and Colgate-Palmolive as alternatives.

Control is the issue. Drug and combo retailers want lower costs, but resent being told by a supplier there is just one way to do it. They also dislike the lessened promotional monies, and fear losing distinctiveness in their markets because of less latitude in promotions. Manufacturers counter by saying trade promotions don't move product to consumers, and often wind up in retailers' pockets.

The upshot: Other manufacturers are developing hybrid programs more tailored to individual retail and wholesale operations, and operators prefer these.

Bill Harris, vp-nonfoods at Randall's in Houston, which recently bought Tom Thumb-Page, stands out for his pro-EDLP stance:

"There will be some increase in efficiencies. . . consumers will ultimately benefit. We are a selling organization," but others who make money on the buy—not just on the sell—won't like it a bit, he said.

"Drug chains. . .have to make money on the buy as well as the sell," notes Stephen Lund, vp-merchandising at Perry Drug Stores.

P&G is risking market share loss to other suppliers who remain more committed to selling the way high-low operators prefer. What's the incentive now to promote Tide when a hot price on a popular regional brand has impact? P&G's market leadership carries clout, but might be outweighed by other retailer concerns.

EDLP can also be a boon to private label, given today's trend away from brand loyalty and retailers' inclination to go where margins are higher.

Against the backdrop of the Phar-Mor scandal and inconsistent financial results posted by Drug Emporium, some industry pundits are questioning the long-term viability of everyday low price. Indeed, Phar-Mor is now adjusting its category assortments to reflect actual performance, rather than inflated numbers that had been believed to be true until recent days.

"You can't eliminate operating costs enough to compensate for the loss of gross margin dollars," one combo vp told me, noting that Phar-Mor never really made big money. He competes against deep discounters everyday, and feels they'll come to rest in the 21 percent to 22 percent gross margin range, rather than the high teens.

But no one can dispute the professionalism with which F&M and Wal-Mart practice everyday low price. Clearly, EDLP is for the nation's most efficient retailers.

Associate editor Mike Troy, senior editor James Frederick and I are wrapping up major coverage of EDLP, which will appear next issue. Look for it, and let me know how you feel with the FAX-back form.

Workers' Comp to self-destruct without help

WASHINGTON PERSPECTIVE
KEN RANKIN

For generations, state-administered Workers' Compensation systems have been a key part of the safety net protecting drug store industry workers from unexpected economic disaster.

The system worked smoothly for decades at a cost of less than 1 percent of payroll.

But now after 80 years of helping employers and employees cope with the costs of occupational injuries, Workers' Compensation is itself in failing health.

Unless state legislatures can come up with an effective prescription, insurance industry experts warn that the entire system could collapse.

There's already talk here in Washington about federalizing Workers' Compensation—a remedy that many fear could be worse than the disease.

The system's troubles date back to the 1970s when Congress first began meddling with Workers' Compensation by calling on states to significantly broaden coverage and expand benefits for injured workers.

States followed Washington's recommendations, and the scope of coverage was expanded to include a variety of new occupational injuries and diseases such as carpal tunnel syndrome.

At the same time, benefits were broadened to provide coverage of vocational rehabilitation and other costly extras.

These changes were taking place just as health care costs began to skyrocket in the 1980s.

Average annual premiums per worker rose from a relatively modest $93 in 1972 to more than $500 by 1990, and the cost of coverage continues to climb.

But as employers are paying more for Workers Compensation employees are getting less in return. For too many injured workers, the system is too slow and pays too little.

Adding to the problem: the lack of effective cost-containment mechanisms in most state programs; counterproductive coverage rules that discourage employees from returning to work; and growing evidence of fraud and abuse by both workers and employers.

At least a dozen states have already passed legislation to shore up their Workers' Compensation programs, but few of these "reforms" have gone far enough to solve the problems.

According to officials at the American Insurance Association (AIA), solutions to the Workers' Compensation mess "are relatively easy to identify, but extremely difficult to pass in legislatures."

The bitter pill that AIA wants states to swallow would reform Workers' Compensation by:

- limiting compensation to clearly work-related illnesses;
- structure benefit levels to provide return-to-work incentives;
- establish medical fee schedules and utilization reviews; and
- beef up efforts to curb Workers' Compensation fraud.

But insurance groups say they can't push through these reforms alone. Without help from people in drug retailing and other industries, Workers' Compensation could self-destruct.

DRUG STORE NEWS®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Editor **BRUCE BUCKLEY**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady,** ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.**
(Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

Associate Publisher/
National Adv. Manager **JILL MANEE**

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619.
(813) 664-6746
Group Circulation Director
Matthew J. Clancy, Sr.
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Kevin Mann Rite Aid Corp.
Tim McAlear Pay Less Drug Stores
David Morocco Brooks Drug
Frank Newman F & M Distributors
Allan Patrick Genovese Drug Stores Inc.
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Sunglass margins still healthy, say buyers

A weak economy and a cool, wet summer have darkened the sales picture for sunglasses in many parts of the U.S., but drug chains are still getting fat profit margins from the category.

"Sunglasses offer good margins. There's a lot of money to be made from [the category]," said Bobby Little, vp of store operations for Birmingham, Ala.-based Big B.

"Unit sales are flat," added Susan Lund, a buyer for Snyder's Drug Stores in Minnetonka, Minn. "But the gross margins are still very strong: well over 50 percent off promotion." Lund blamed the state's "cold, gray, cloudy" summer, as well as the poor economy and the fact that the sunglass business is still eclipsed by the peak sales years of 1988 and '89.

Even chains which discount sunglasses heavily can eke out solid profits. "We discount 50 percent everyday. . .but the margins are still above 30 percent," said Ralph Randle, sunglass buyer for Drug Barn, a six-store deep discounter in Northern California.

The reason: manufacturers build in lots of profit potential through the original list prices and take much of the guesswork out of the category by servicing sunglass displays themselves with their own merchandiser/reps. Gordon Hallerman, director of sales for Cool-Ray Optics, agreed that "even with discounting, gross margins can be in the 50 percent range," but said a "full in-store service program is essential" to success.

David Moore, vp of marketing for Bonneau Co., pegged retail margins at "60 to 62 percent with no discounts," and "30 to 35 percent" with an everyday-low-price policy of 50 percent off.

Price cutting too much?

That leaves plenty of room for aggressive price competition. However, Moore said, consumer focus group research conducted in the summer of 1991 indicated that retailers may be cutting their prices and margins more steeply than they have to.

"One finding we got from consumers was that, once they're in the drug store, price is not as big a deal as everyone thought it was," he said. "Consumers tend to prescreen [the sunglass market] by outlet. . .so they've already made a decision to spend a certain amount when they walk into a drug store."

Result, he said: consumers are probably "not as price-sensitive" as many retailers assume they are when it comes to sunglasses, and "some retailers may be discounting more than they need to."

Many drug chains, however, are already quite selective in how they price sunglasses. Snyder's, for instance, eschews deep discount pricing but is "considering an EDLP policy next year," said Lund. Meanwhile, the chain offers a budget line through International Tropical to complement its major sunglass program from Opti-Ray—a program Lund praises for its "excellent service and good product." Including a few higher-end offerings, Snyder's sunglass prices average about $14, she said.

In general, drug chains have stayed with the tried-and-true with their sunglass business, leaving the fashion selection to the expertise of their suppliers and keeping price points well under $20.

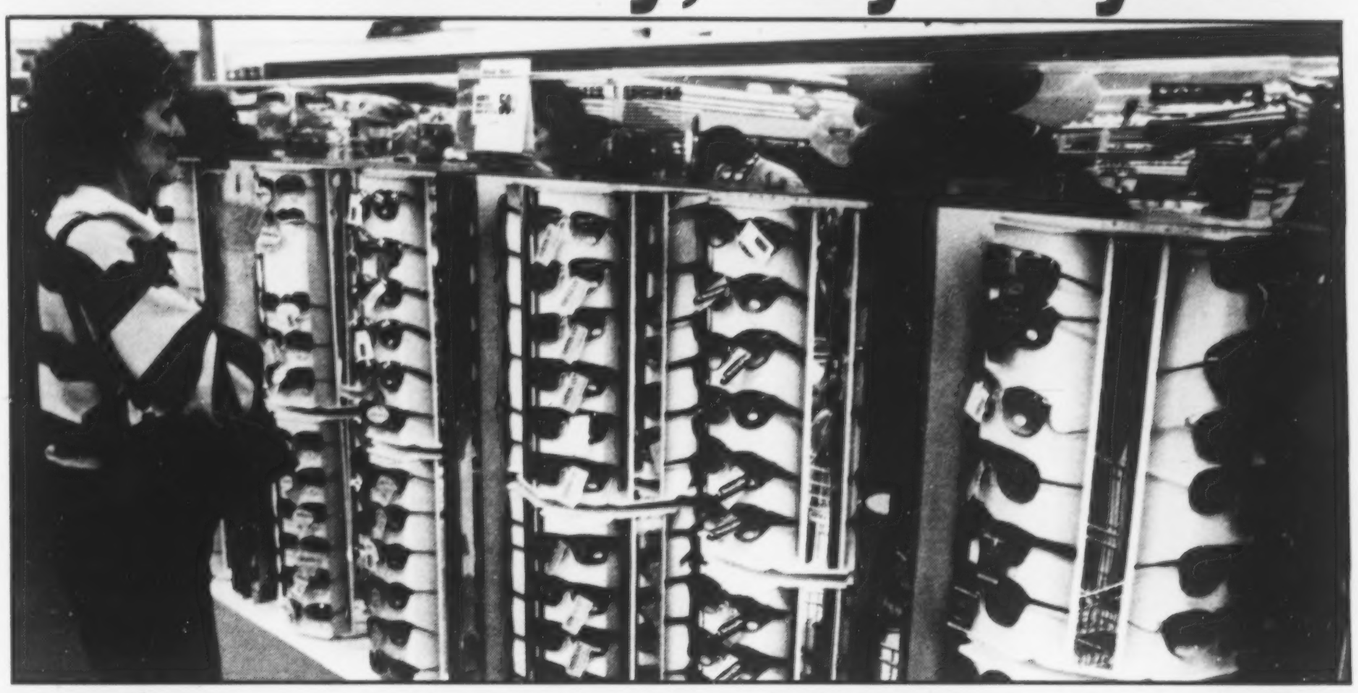
"We carry nothing above $16, except the Ray-Bans" the chain carries in some of its stores, said Big B's Little. He added that Big B uses two vendors, Opti-Ray and Cool-Ray, and keeps its spinners up front near the checkstands where they get maximum exposure.

As for fashion, it's still "the engine that drives this business," said Mauri Edwards, a spokesman for the Sunglass Association of America in Norwalk, Conn. But he and other industry experts agree there is no single, overriding fashion trend currently at work.

"It's a big market with eclectic tastes, and if you put all of your money in one particular area, you're making a mistake," Edwards noted. "You've got to cater to a market which has never settled on a single, particular approach. . . but looking good is still the issue."

Nevertheless, the sour economy has led manufacturers to steer carefully through the risky shoals of fashion with current styles. "People are going back to traditional styles, and we are emphasizing classic fashions," noted Moore of Bonneau, which also owns the Foster Grant label.

"A few years ago, you could kind of throw everything against the wall and see what sticks" in terms of fashion styling and consumer acceptance, said one manufacturer. "The economy is forcing manufacturers to control their business and emphasize turns."



Drug chains have stayed with the tried-and-true with their sunglass business, leaving the fashion selection to the expertise of their suppliers and keeping price points well under $20.

Sunglass sales continue slight fall; fashion, higher-end offerings prevail

The ongoing recession and a maturing market took their toll on the sunglass business for a second year in a row in 1991, with unit sales easing another 1 percent to 218 million pairs last year. However, a continuing shift toward higher-priced sunglasses boosted dollar sales for the industry another 5 percent, to a record $1.75 billion.

The industry has yet to match the record 225 million pairs of shades sold in 1989, its peak year. Almost certainly, that record won't be challenged in 1992—a year in which cooler-than-normal summer temperatures have been matched by the chill of a sluggish economy. What's more, underlying factors like the continued aging of the population and the fact that consumers are buying fewer sunglasses every year but paying more, are probably also behind the slight slowdown in unit sales.

Nevertheless, the industry's growth in revenues is indicative of its "remarkable vitality" in the face of recession, said Buddy Sklar, exec vp of Opti-Ray and president of the Sunglass Association of America. "The current figures are particularly significant in that they show a continuing shift toward sunglasses retailing at $30 a pair and higher."

Sklar noted that high-priced unit sales grew by a million pairs last year. More striking is the fact that sunglasses costing $30 and more account for just 8 percent of total unit sales in the market, but a whopping 54 percent of dollar volume.

The average price of a pair of sunglasses sold in the U.S. last year jumped 44 cents to $8.01, according to the industry group. However, a growing percentage of sunglass sales are going to what the group calls "secondary channels"—non-traditional outlets like swap meets, closeouts, gift shops and street vendors.

"So-called primary channels," drug and discount chains included, "accounted for only 41 percent of the sunglasses bought by U.S. consumers last year but 80 percent of the dollars spent on sunglasses," a study conducted by the SAA last year found.

"For several years now, we've had growing evidence of a two-tiered sunglass market," said Sklar.

No recessionary glare in sunglasses

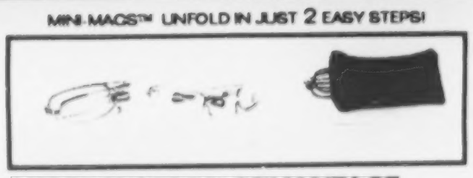
Year (millions)	Pairs sold	Retail sales (billions)
1991	218	$1.75
1990	220	1.66
1989	225	1.72
1988	180	1.35
1987	189	1.32

Source: Statistical Committee, Sunglass Association of America.

NEW! EXCLUSIVE!
"MINI MAGS"
The simple answer to increasing your Reading Glass sales with full profit!

MINI-MAGS
THE FOLDING POCKET READER
By EYE MAGNIFY

MINI-MAGS™ UNFOLD IN JUST 2 EASY STEPS!



24-PIECE COUNTER DISPLAY

THE MINI-MAG™ ADVANTAGE
- Reasonably priced.
- Professionally crafted.
- 5-Powers color coded.
- Blister carded or 24-pc. counter display.
- Free carrying case.
- The smallest READING GLASSES made.
- A spare pair of glasses to take everywhere. Put in your pockets, purse, attaché case, glove compartment...anywhere!

SUNGOLD I-WEAR™, ATTENTION: MICHAEL A. NADEL, 2095 NEW HIGHWAY, FARMINGDALE, NY 11735 516/752-8900 • 800/645-2254 (EXCEPT NYS) • FAX 516/752-8928

Triple A: leaders of the profit pack

By Al Heller

Everyone needs friends to lean on.

And in 1992, the pillars of support for drug chains are the Triple A leaders in health and beauty aids and general merchandise.

With drug chains enduring one of their most challenging periods ever, merchants know they can at least count on performance from leading brands in core categories. Items cited on the charts that follow—supplied by Towne-Oller, a subsidiary of Information Resources, Inc.—have set the pace this past year in building incremental sales, along with new profit and image-enhancing opportunities for drug store operators.

Not surprisingly, most entries are manufactured by companies who've taken leads in powering the drug store business through effective category management.

The lists are a savory blend of perennial consumer favorites and some of the most innovative product introductions in recent months. A A A charts point up the need for retailers to continually be offered—and take chances on—new items that can expand categories exponentially (Monistat 7 and Gyne-Lotrimin), broaden a user base (single-use cameras), and heighten the excitement and plus-business opportunities for drug stores.

Premise of convenience

Drug stores, after all, offer the shopping premise of convenience, quick in-and-out store visits and health care expertise. They also need to be competitively stocked and priced on new items and category leaders.

Certainly, in the examples within this A A A Report, both conventional and deep discount drug store operators have merchandised successfully to maximize sellthrough. Their alliances with the manufacturers of these products have enabled them to create high-impact programs, intelligent shelf sets and easily shopped displays to compete effectively against the mass merchants, combos and wholesale clubs.

Drug stores played their pharmacy advantage to the hilt in garnering a significant share of the fast-growth yeast infection remedy business. Rx-to-OTC switches play to the strength of drug stores, and pharmacists in this instance got involved in dealing with this sensitive problem shared by 12.6 million women a year.

Moreover, women who actively manage their own birth control often look to the drug store pharmacy for pregnancy and ovulation test kits—both for the variety available, the advice and the relative privacy. Many chains have taken the lead in designing more private areas for consultation by their pharmacies.

In addition, diabetics are taking more control in monitoring their blood glucose levels—and that is translating into visible growth in meters, strips, lancets and related item sales.

On the general merchandise side, bad economic news may be pretty good news. The pinch on disposable income has Americans entertaining more at home—and that translates into greater sales of batteries, videotapes and audio tapes.

Film sales are advancing now due to the popularity of point-and-shoot 35mm cameras, the successful marketing of instant cameras and upgrades of instant film, and the phenomenal growth of single-use cameras. The recyclable cardboard-bodied units take the worry out of packing cameras in unfriendly territory: sea, sand, mountains. Their unit sales have soared 50 percent annually each of the past few years, and while mass merchants are more aggressive in displaying them, drug chains are clearly in the game with their own display strategies, and, of course, their frequent emphasis on quality photofinishing. That, alas, is where the real profits lie.

The benefits of A A A products go beyond their own sales. They impact total store productivity. They sound like good friends to have.

With drug chains enduring one of their most challenging periods ever, merchants know they can count on performance from leading brands in core categories.

TRIPLE A PRODUCT STUDY 1992

The Hottest General Merchandise Items

(Unit ranking 12 months through May 1992)

BATTERIES

Rank	Item
1.	Duracell AA alkaline 4 pk.
2.	Eveready AA alkaline Energizer 4 pk.
3.	Duracell AA alkaline 2 pk.
4.	Eveready AA alkaline Energizer 2 pk.
5.	Duracell 9 volt alkaline
6.	Duracell AA alkaline 8 pk.
7.	Eveready AA Energizer 8 pk.
8.	Duracell AAA alkaline 4 pk.
9.	Eveready AAA alkaline Energizer 4 pk.
10.	Eveready C alkaline Energizer 2 pk.
11.	Duracell D alkaline 2 pk.
12.	Duracell AAA alkaline 2 pk.
13.	Duracell C alkaline 2 pk.
14.	Eveready 9 volt Energizer 1 pk.
15.	Eveready D Energizer 2 pk.
16.	Duracell D alkaline 4 pk.
17.	Duracell C alkaline 4 pk.
18.	Eveready AA super heavy duty 4 pk.
19.	Eveready AAA alkaline Energizer
20.	Duracell 9 volt alkaline 2 pk.
21.	Eveready 9 volt Energizer 2 pk.
22.	Eveready watch/calc 1.5v #392bp
23.	Eveready watch battery #377bp
24.	Eveready watch/calc 1.5v #357bp
25.	Eveready watch/calc 1.5v #364bp

FILM

Rank	Item
1.	Kodak color VRG-200 CB135 film 24
2.	Kodak color VRG-100 CA135 film 24
3.	Kodak color VRG-200 CB135 film 36
4.	Kodak color VRG-200 CB110 film 24
5.	Polaroid 600 Plus film 1 pk.
6.	Kodak color VRG-400 CM135 film 24
7.	Kodak color VRG-100 CA135 film 36
8.	Kodak color VRG-400 CM135 film 36
9.	Kodak color VRG-200 CB135 film 12
10.	Polaroid 600 Plus film 2 pk.
11.	Kodak color VRG-100 CA135 film 12
12.	Kodak color VRG-200 CB110 film 12
13.	Kodak color VRG-200 CB135 film 24 3 pk.
14.	Polaroid Time-Zero SX-70 1 roll 10
15.	Kodak color VRG-100 CA135 film 24 3 pk.
16.	Kodak Ektar 125 CW135 24
17.	Kodak color VR cover disc-15 2 pk.
18.	Polaroid Spectra single film
19.	Kodak color VRG-400 CM135 film 12
20.	Kodak color VR cover disc-15
21.	Kodak color VRG-400 CM110 film 24
22.	Fuji color HR-100 CN135 24 film
23.	Kodak color VRG-400 CM135 film 24 3 pk.
24.	Fuji color HR-200 CA135 24 film
25.	Fuji color HR-100 CN110 24 film

DISPOSABLE LIGHTERS

Rank	Item
1.	Bic disposable lighter 2
2.	Scripto Mighty Match 1
3.	Bic disposable lighter 1
4.	Bic disposable lighter 5
5.	Bic mini disposable lighter 3 pk.
6.	Bic mini disposable lighter 2 pk.
7.	Scripto Turbo lighter 1
8.	Scripto Avanti lighter 1
9.	Scripto Ultra Lite 1
10.	Scripto Tiny Lite

VIDEO/AUDIO TAPES

Rank	Item
1.	Memorex hi-standard VHS t-120 videotape
2.	Kodak VHS t-120 videotape
3.	Polaroid VHS t-120 videotape
4.	Scotch VHS t-120 eg videotape
5.	BASF VHS t-130 videotape
6.	TDK VHS t-120 hsbh videotape
7.	Gemini t-120 VHS videotape
8.	Maxell VHS video t-120 single
9.	Sony VHS t-120 videotape
10.	Fuji audio cassete dr-1 c-90 5 pk.
11.	TDK cassette tape d-9ou 5 pk.
12.	Memorex audio cassette dbs-90 5 pk.
13.	Scotch VHS hg t-120 3 pk.
14.	BASF VHS t-160 videotape
15.	Maxell audio cassette XL-1190 2 pk.
16.	Memorex audio cassette dbs-90 2 pk.
17.	Polaroid VHS t-120 videotapes 3 pk.
18.	Fuji VHS t-120 videotape
19.	Memorex audio cassette norm dbs-60 2 pk.
20.	Universal t-120 VHS videotape

PENS

Rank	Item
1.	Paper Mate Write Bros. pen 10 pk. medium
2.	Bic Biro round stick medium point 10
3.	Carters Marks-A-Lot
4.	Flair porous-point guard pens
5.	Bic Super Saver Stic pens medium 10
6.	Sanford Sharpie fine marking pen
7.	Bic roller pen medium 2 pk.
8.	Eraser Mate-2 pens medium 6
9.	Paper Mate Flex-Grip roller pen
10.	Pilot better ball point pen 2 pk.

AUTOMOTIVE FLUIDS

Rank	Item
1.	Pennzoil 10w40 motor oil 1 qt.
2.	Pennzoil 10w30 motor oil 1 qt.
3.	Havoline Formula-3 10w30 1 qt.
4.	Havoline Supreme 10w40 1 qt.
5.	Sunoco 10w40 motor oil 1 qt.
6.	Quaker State 10w40 motor oil 1 qt.
7.	Pennzoil heavy duty 10w30 motor oil 1 qt.
8.	Zerex anti-freeze 1 gal.
9.	Sunoco 10w30 motor oil 1 qt.
10.	Prestone anti-freeze 1 gal.

Source: Towne-Oller and Associates, a subsidiary of IRI.

The Hottest General Merchandise Items

(Dollar rankings 12 months through May 1992)

BATTERIES		FILM	
Rank	Item	Rank	Item
1.	Duracell AA alkaline 4 pk.	1.	Polaroid 600 Plus film 1 pk.
2.	Eveready AA alkaline Energizer 4 pk.	2.	Kodak color VRG-200 CB135 film 24
3.	Duracell AA alkaline 8 pk.	3.	Polaroid 600 Plus film 2 pk.
4.	Eveready AA Energizer 8 pk.	4.	Kodak color VRG-200 CB135 film 36
5.	Duracell AA alkaline 2 pk.	5.	Kodak color VRG-400 CM135 film 24
6.	Duracell 9 volt alkaline	6.	Kodak color VRG-100 CA135 film 24
7.	Eveready AA alkaline Energizer 2 pk.	7.	Kodak color VRG-200 CB110 film 24
8.	Duracell D alkaline 4 pk.	8.	Kodak color VRG-200 CB135 film 24 3 pk.
9.	Duracell C alkaline 4 pk.	9.	Kodak color VRG-400 CM135 film 36
10.	Duracell AAA alkaline 4 pk.	10.	Kodak color VRG-100 CA135 film 36
11.	Eveready AAA alkaline Energizer 4 pk.	11.	Polaroid Time-Zero SX-70 1 roll 10
12.	Duracell 9 volt alkaline 2 pk.	12.	Kodak color VRG-100 CA135 film 24 3 pk.
13.	Eveready C alkaline Energizer 2 pk.	13.	Polaroid Spectra single film
14.	Duracell D alkaline 2 pk.	14.	Polaroid 600 Plus film 3 pk.
15.	Duracell C alkaline 2 pk.	15.	Kodak color VRG-200 CB135 film 12
16.	Eveready 9 volt Energizer 1 pk.	16.	Kodak color VRG-400 CM135 film 24 3 pk.
17.	Eveready D Energizer 2 pk.	17.	Kodak color VR cover disc-15 2 pk.
18.	Duracell AAA alkaline 2 pk.	18.	Kodak color VRG-100 CA135 film 12
19.	Eveready 9 volt Energizer	19.	Kodak Ektar 125 CW135 24
20.	Eveready D Energizer 4 pk.	20.	Kodak color VRG-200 CB110 film 12
21.	Eveready C alkaline Energizer 4 pk.	21.	Polaroid Spectra film 2 pk.
22.	Duracell photo battery #DL245B	22.	Kodak color VRG-400 CM135 film 12
23.	Eveready AAA alkaline Energizer 2 pk.	23.	Kodak color VRG-400 CM110 film 24
24.	Eveready AA super heavy duty 4 pk.	24.	Kodak color VR cover disc-15
25.	Duracell XL photo battery #DL223A	25.	Kodak color VRG-400 CM135 film 24 2 pk.

Source: Towne-Oller and Associates, a subsidiary of IRI.

If you want to

The Hottest General Merchandise Items

(Dollar rankings 12 months through May 1992)

PENS	
Rank	**Item**
1.	Paper Mate Write Bros. pen 10 pk. medium
2.	Bic Biro round stick medium point 10
3.	Eraser Mate-2 pens medium 6
4.	Bic Super Saver stic pens medium 10
5.	Pilot better ball point pen 2 pk.
6.	Crayola washable markers 8
7.	Paper Mate Profile regular pen
8.	Flair porous-point guard pens
9.	Carters Marks-A-Lot
10.	Paper Mate Flex-Grip roller pen

VIDEO/AUDIO TAPES	
1.	Memorex Hi-Standard VHS t-120 videotape
2.	Kodak VHS t-120 videotape
3.	Polaroid VHS t-120 videotape
4.	Scotch VHS t-120 eg videotape
5.	BASF VHS t-130 videotape
6.	Scotch VHS HG t-120 3 pk.
7.	Polaroid VHS t-120 videotape 3 pk.
8.	TDK VHS t-120 hsbh videotape
9.	Sony VHS t-120 videotape
10.	Sony 8mm 120 videotape
11.	Maxell audio cassette XL-1190 2 pk.
12.	Fuji audio cassette DR-1 c-90 5 pk.
13.	Maxell VHS video t-120 single
14.	Gemini t-120 VHS videotapes
15.	Memorex audio cassette dbs-90 5 pk.
16.	TDK cassette tape D-9OU 5 pk.

VIDEO/AUDIO TAPES (Cont'd)	
Rank	**Item**
17.	Memorex High Standard t-120 tape 3 pk.
18.	Sony audio micro cassette 3mc60 3 pk.
19.	BASF VHS t-160 videotape
20.	Kodak VHS t-120 3 pk.

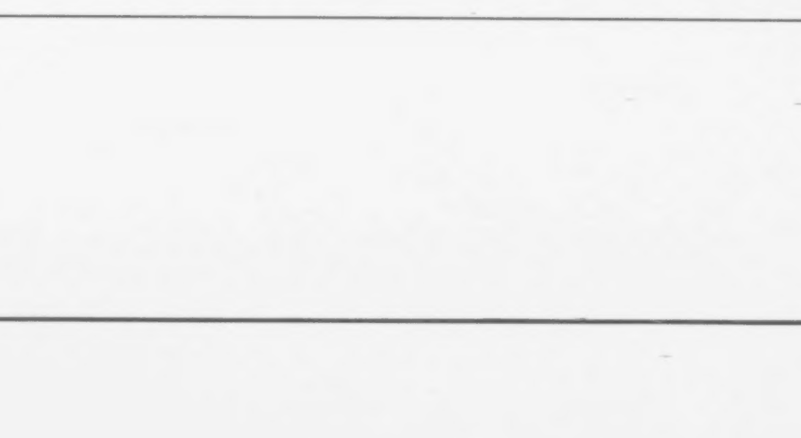
DISPOSABLE LIGHTERS	
1.	Bic disposable lighter 2
2.	Bic disposable lighter 5
3.	Bic mini-disposable lighter 3 pk.
4.	Scripto Turbo lighter 1
5.	Bic disposable lighter 1
6.	Bic mini-disposable lighter 2 pk.
7.	Scripto Mighty Match 1
8.	Scripto Avanti lighter 1
9.	Scripto Alpha Blue disposable lighter 1
10.	Scripto Ultra Lite 1

AUTOMOTIVE FLUIDS	
1.	Prestone anti-freeze 1 gal.
2.	Zerex anti-freeze 1 gal.
3.	Pennzoil 10w40 motor oil 1 qt.
4.	Pennzoil 10w30 motor oil 1 qt.
5.	Havoline Formula-3 10w30 1 qt.
6.	Quaker State 10w40 motor oil 1 qt.
7.	Havoline Supreme 10w40 1 qt.
8.	Pennzoil heavy duty 30w motor oil 1 qt.
9.	Sunoco 10w40 motor oil 1 qt.
10.	Quaker State 10w30 motor oil 1 qt.

Source: Towne-Oller and Associates, a subsidiary of IRI.

sell more videotape, sell hours.

For home video tapers, extra recording time means extra value. That's why longer-length videotapes are the fastest growing segment in the industry. And that's why BASF is the long-length leader. Only BASF gives consumers the T-130, T-160, *and* T-180, with an additional ½ hour, 2 hours, and 3 hours of recording time, respectively. That's an unbeatable choice of tape lengths for every recording need. With unmatched quality for recording at any speed. So stock up on BASF videotapes today. There's never been a better time to increase your profits.



The longer. The better.

The 100 Hottest Health & Beauty Aid Items

(Unit ranking 12 months through May, 1992)

Rank	Item	Rank	Item
1.	Ultra Slim Fast Chocolate R-T-D can 11 oz.	51.	Halls cough drop Honey/Lemon 40 pk. 9
2.	Fleets Enema 4.5 oz.	52.	Monistat-7 suppositories
3.	Scholl Air Pillo Double Comfort Insoles	53.	Listerine mouthwash 32 oz.
4.	Chap Stick Regular	54.	Rolaids 12s
5.	Tylenol Extra Strength gelcaps 50s	55.	Tic Tac Freshmint
6.	Advil tablets 24s	56.	Listerine mouthwash 3 oz.
7.	Robitussin DM syrup 4 oz.	57.	Imodium Anti-Diarrheal caplets 6s
8.	Q-Tips swabs 300s	58.	Crest Tartar control toothpaste tube 6.4 oz.
9.	Halls cough drop Mentho-lyptus bag 30s	59.	Blistik Lip Balm
10.	Crest Tartar gel tube trial .85 oz.	60.	Mylanta Liquid 12 oz.
11.	Gillette Sensor cartridge refills 5s	61.	Robitussin cough drops Cherry bag 25s
12.	Monistat-7 cream 1.59 oz.	62.	Tampax Super 32s
13.	Tylenol Extra Strength caplets 50s	63.	Tampax Super 8s
14.	Tylenol Extra Strength caplets 24s	64.	Vicks Vaporub 1.5 oz.
15.	Ricola Original-herb cough drops bag 21s	65.	Tylenol Infant Drops .5 oz.
16.	Halls cough drop Mentho-lyptus 40 pk. 9	66.	Bic disposable shaver 10s
17.	Carmex cream-ointment .25 oz.	67.	Listerine mouthwash 12 oz.
18.	Halls cough drop Cherry bag 30s	68.	Arm & Hammer dental care plaque paste trial 1 oz.
19.	Advil tablets 50s	69.	Colgate tartar paste tube trial .85 oz.
20.	Chap Stick Cherry	70.	Tylenol Extra Strength gelcaps 100s
21.	Halls cough drop Honey/Lemon bag 30s	71.	Clorets Gum 12s
22.	Aqua Net aerosol Extra Super 9 oz.	72.	Dimetapp Elixir 4 oz.
23.	Alka-Seltzer Plus tablets 20s	73.	Listerine mouthwash 6 oz.
24.	Halls cough drop Cherry 40 pk. 9	74.	Q-tips swabs 54s
25.	Tylenol Extra Strength gelcaps 24s	75.	Tylenol Extra Strength tablets 60s
26.	Blistex ointment .21 oz.	76.	Gillette Good News 5s
27.	Aosept disinfection & neutral solution 12 oz.	77.	Tampax Original Regular 32s
28.	Bausch & Lomb Renu disinfecting solution 12 oz.	78.	Gillette Good News 10s
29.	Halls Ice Blue cough drop 30s	79.	Gyne-Lotrimin vaginal cream 1.5 oz.
30.	NyQuil Night Time Cold Medicine 6 oz.	80.	Intensive Care lotion 10 oz.
31.	Gillette Sensor razor	81.	Mennen Stick Regular 2.5 oz.
32.	Centrum vitamins 130s	82.	Edge Protect Sensitive 7 oz.
33.	Bausch & Lomb Sensitive saline solution 12 oz.	83.	NyQuil Cherry Night Time cold medicine 6 oz.
34.	Bayer children's aspirin 36s	84.	Benadryl tablets 24s
35.	Benadryl 25mg. Kapseals 24s	85.	Robitussin DM syrup 8 oz.
36.	Aqua Fresh toothpaste 1.4 oz.	86.	Theraflu Cough & Cold 6 oz.
37.	Advil caplets 24s	87.	Crest tartar gel tube 6.4 oz.
38.	Sudafed 30mg. tablets 24s	88.	Chap Stick Strawberry
39.	Gillette Sensor cartridge refills 10s	89.	Colgate toothpaste 9 oz.
40.	Tylenol Extra Strength tablets 30s	90.	Robitussin cough drops Honey/Lemon stick 9
41.	Robitussin cough drops Cherry stick 9s	91.	Pepsodent fluoride toothpaste 6.4 oz.
42.	Afrin nasal spray .5 oz.	92.	Tampax Super Plus 8s
43.	Visine Original eye drops .5 oz.	93.	Fixodent Adhesive 2.4 oz.
44.	Imodium Anti-Diarrheal caplets 12s	94.	Tampax Original Regular 8s
45.	Ludens cough drop Wild Cherry 40 box 15	95.	Ultra Slim Fast Chocolate Royal Shk PW15
46.	Robitussin CF syrup 4 oz.	96.	Tylenol Extra Strength tablets 100s
47.	Bic Sensitive Skin disposable razor 10s	97.	Ludens Cough Drop Wild Cherry bag 30s
48.	Opti-Free disinfectant solution 12 oz.	98.	Colgate toothpaste 4.6 oz.
49.	Colgate toothpaste 7 oz.	99.	Suave Pump Extra-Hold 8 oz.
50.	Tylenol Extra Strength caplets 100s	100.	Arm & Hammer Dental Care Gel trial .9 oz.

Source: Towne-Oller and Associates, a subsidiary of IRI.

The 100 Hottest Health & Beauty Aid Items

(Dollar ranking 12 months through May 1992)

Rank	Item	Rank	Item
1.	Monistat-7 cream 1.59 oz.	51.	Oil of Olay lotion 6 oz.
2.	Monistat-7 suppositories	52.	Tampax original regular 32s
3.	Gyne-Lotrimin vaginal cream 1.5 oz.	53.	Scholl Air Pillo Dbl Comfort Insoles
4.	LifeScan 1-Touch test strips 50s	54.	Clear Blue Easy pregnancy kit single
5.	Tylenol Extra Strength Gelcaps 50s	55.	Tylenol Extra Strength gelcaps 24s
6.	Centrum vitamins 130s	56.	Trojan-Enz lubricated 12s
7.	Gyne-Lotrimin vaginal inserts 7s	57.	Ultra Slim Fast formula fruit juice 11 oz.
8.	Aosept disinfection & neutral solution 12 oz.	58.	Lotrimin anti-fungal cream 24 gm.
9.	Bausch & Lomb ReNu disinfecting solution 12 oz.	59.	Tylenol Infant drops 0.5 oz.
10.	Tylenol extra strength caplets 50s	60.	Fleet enema 4.5 oz.
11.	Gillette Sensor cartridge refills 10s	61.	Oil of Olay lotion 4 oz.
12.	Tylenol Extra Strength caplets 100s	62.	Glucostix reagent strips 50s
13.	Chemstrip BG 11 strips 50s	63.	Sudafed 30mg. tablets 24s
14.	Opti-Free disinfectant solution 12 oz.	64.	Gillette Sensor razor
15.	Tylenol Extra Strength gelcaps 100s	65.	Dimetapp Elixir 4 oz.
16.	Advil tablets 50s	66.	Tylenol Extra Strength tablets 30s
17.	Robitussin DM syrup 4 oz.	67.	Early Pregnancy Test stick double
18.	Exactech Blood Glucose Companion Meter	68.	Ensure Plus chocolate 8 oz. 6 pk.
19.	Gillette Sensor cartridge refills 5s	69.	Advil tablets 250s
20.	Ensure Plus vanilla 8 oz. 6 pk.	70.	Fixodent adhesive 2.4 oz.
21.	Advil tablets 24s	71.	NyQuil Cherry Night Time cold medicine 6 oz.
22.	Imodium Anti-Diarrheal caplets 12s	72.	Centrum Silver tablets 60s
23.	Ultra Slim Fast chocolate R-T-D can 11 oz.	73.	Robitussin CF syrup 4 oz.
24.	Advil tablets 100s	74.	Tylenol Extra Strength tablets 200s
25.	Early Pregnancy Test stick single	75.	Chemstrip BG strips 50s
26.	Glucofilm test strips 50s	76.	NyQuil Liqui Caps 12s
27.	Theragran M 130s	77.	Imodium Anti-Diarrheal caplets 6s
28.	Tylenol Extra Strength gelcaps 150s	78.	Ecotrin tablets 100s
29.	Fact Plus pregnancy kit	79.	Tampax Super Plus 32s
30.	Tylenol Extra Strength caplets 175s	80.	Listerine mouthwash 48 oz.
31.	Lifescan 1-Touch II blood/glucose system	81.	Primatene Mist/mouthpiece 15 ml.
32.	Tylenol Extra Strength tablets 100s	82.	Advil caplets 50s
33.	Robitussin DM syrup 8 oz.	83.	Mylanta liquid 12 oz.
34.	NyQuil Night Time Cold Medicine 6 oz.	84.	Advil caplets 24s
35.	Tylenol Extra Strength caplets 24s	85.	Alka-Seltzer Plus tablets 36s
36.	Chemstrip BG strips 100s	86.	Benadryl Elixir 4 oz.
37.	Ensure vanilla 8 oz. 6 pk.	87.	First Response pregnancy kit
38.	Q-Tips swabs 300s	88.	Benadryl tablets 24s
39.	Afrin nasal spray 0.5 oz.	89.	Boston Advance conditioning solution 4 oz.
40.	Fungi-Nail Tinacture 1 oz.	90.	Tylenol Elixir 4 oz.
41.	Ultra Slim Fast choc royal shake pdr 15 oz.	91.	Theraflu Cough & Cold 6 oz.
42.	Exactech BG test strips 50s	92.	Perdiem Granules 250 gm.
43.	Listerine mouthwash 32 oz.	93.	Benadryl 25mg. Kapseals 48s
44.	Lotrimin anti-fungal cream 12 gm.	94.	Gillette Atra Plus refill 10s
45.	Tracer BG strips 50s	95.	NyQuil Night Time cold medicine 10 oz.
46.	Nix lice treatment 2 oz. twin	96.	Primatene Mist refill 15 ml.
47.	Tylenol Extra Strength tablets 60s	97.	Bausch & Lomb sensitive saline 12 oz.
48.	Alka-Seltzer Plus tablets 20s	98.	Advil caplets 100s
49.	Tampax Super 32s	99.	Gillette Good News 10s
50.	Benadryl 25mg. Kapseals 24s	100.	Nix lice treatment 2 oz.

Source: Towne-Oller and Associates, a subsidiary of IRI.

Rx-to-OTC and home test products dominate list

Rx-to-OTC switches hold the first three spots in our Triple A survey and one in five on the Top 50 list are home testing kits for diabetes or pregnancy. Toiletries were edged out by quick turning staples such as analgesics and diet aids.

By Barbara White

Monistat 7 and Gyne-Lotrimin, in one formulation or another, remain the darlings of the HBA category. Since their Rx-to-OTC switches a few years ago, the products have been turning at impressive rates. Yearly dollar sales growth in this young category have been averaging 5.7 percent, according to Ortho's Advanced Care Products.

That's no surprise, considering that 12.6 million women a year will experience at least one yeast infection.

Self-diagnosis, testing

Patients have learned to recognize symptoms and can often diagnose the problem themselves.

The Triple A study indicates that customers are not only diagnosing themselves, but are testing and monitoring themselves as well. Of the top 50 products, one in five is a test kit or strip.

Pregnancy kits occupy two of the top 30 spots, but diabetic testing replacement equipment is the real mover in this category.

This trend is expected to continue as blood glucose monitors drop in price and advances in technology make the kits easier to use.

Analgesics and cough/cold products also placed strongly in the Triple A survey. New York-based market research firm Packaged Facts expects that the analgesic category alone will grow to $5.9 billion in volume by 1995.

Aggressive marketing and advertising by manufacturers is driving the analgesic category in part, as is the aging of the population and the stress of the everyday world.

Manufacturers have been segmenting the market, introducing more SKUs than retailers know what to do with and creating a little stress for merchants trying to manage their shelves.

Headaches from cough/cold

Segmentation and blurred distinctions also gave retailers a headache in the cough-/cold category. Retailers and consumers alike may have found it hard to differentiate between night-time and day-time medication, non-drowsy formulations and multi-use products, but sales prove that the category is strong.

The meal replacement category grew with line extensions and the vitamin business was down a bit.

Gillette's Sensor cartridge refills continued to capture a lion's share of sales on the toiletry end of drug store's HBA department.

Gillette's introduction of its new line of men's toiletries under the Gillette Series name should only add more fuel to the golden product.

HBA: Wait 'til next year

The only beauty items that made the Top 100 list carried the Oil of Olay name. Staples, such as feminine hygiene items, knocked impulse buys out of the charts.

The boom in bath products and new introductions in professional hair care, plus a focus on value in other segments of the hair and skin care category may give beauty aids more of a presence in next year's charts.

For 1991-92, it seems that considering the recessionary times, the American consumer felt a greater need for analgesics and antacids than beauty aids.

Introducing Clear Choice.™
The Alcohol-Free Mouthwash.

Your mouthwash shelf is loaded with alcohol. Some brands contain up to 27% by volume. You need an alcohol-free alternative to bring new users into this important category.

New Clear Choice, the alcohol-free mouthwash from Bausch & Lomb, has a unique clear formula that appeals to today's health-conscious consumers. They rated it as good or better than their current brand on key attributes.*

And that's not all. Clear Choice gives you a sparkling opportunity to pump new life into your mouthwash sales. In fact, 44% of non-users and dropouts who tried Clear Choice said they'd probably or definitely buy.* Which means incremental sales and profits for you. Lucrative trade and high-impact consumer and professional programs will drive sales and profits even higher.

So call your Bausch & Lomb business manager today. Tell him you want to ride the new wave in mouthwash. But hurry. It's hitting stores across America now.

BAUSCH & LOMB

*Data on file at Bausch & Lomb.

Treats, protects & helps **prevent** cold sores, sun & fever blisters.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

The **sun** is the **major cause of** cold sores called lip **sun blisters.**
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Consumers stock up on top ranking GM products

The tight economy has consumers entertaining themselves at home this year and it shows in booming sales items like batteries, videotapes and audio tapes that hold top positions in the Triple A survey's general merchandise charts.

By Allene Symons

The general merchandise Triple A rankings reflect consumer loyalties driven by brand promotions. Many of these highly consumable GM products are bought as pantry items by shoppers who don't want to run out.

Studies have repeatedly shown that when shoppers stock up on certain items, they consume more. And in tight-budget times, the stay-at-home trend pushes GM sales up in categories ranging from batteries and film to videotape and audio tape.

Batteries charged on this year, boosted by multi-pack sales. The mini-baby boom's toy usage helped keep batteries busy, even though there were few new battery-eating devices.

The top battery consumable, AA alkaline, topped the list of course, with major ad and promotion programs driving the big brands Duracell and Eveready/Energizer. And starting its upward move from the bottom of the list this year was the lithium/photo battery.

This type nearly doubled (from 4.4 percent in 1990 to 8 percent of battery sales in 1991), a subcategory on the move in drug stores driven by the growing use of 35mm cameras.

In film, the all-purpose convenience and promotability of 35mm 200 ISO film continued to impact the top slot in unit sales, while in dollars Polaroid 600 Plus film led the pack.

In relation to other film types, 35mm grew more than four percent in 1991, according to the Photo Marketing Association. And film sales for the future are looking rosier, thanks to new, easier-to-use cameras coming on the market—and from the hot new single-use cameras.

Reports buyer Leonard Myers of PayLess: "Single use cameras are excellent. The category is still growing and will continue to grow." Still climbing after two years on the market, the disposables are introducing new shooters to the hobby and luring back former photo buffs.

Blank videotape sales grew 6 percent in units in 1991. Topping the charts, t-120 remains the bread-and-butter, with Memorex hi-standard t-120 leading in units and dollars.

Dollar sales may not recapture the peak of 1986 but are still projected to improve. That's because demand for high-grade video is growing, as more consumers buy quality-sensitive VCR hardware and make pricier videotape purchases. It's a plus for the retailer, since these higher rings mean heftier margins.

In blank audiotape, the growing number of CD players is driving sales of higher quality and longer-length cassettes. But sharp multipack pricing still pushes the numbers, say buyers like Chris Suman at Hyde Drug, who notes: "Some consumers are looking for the least expensive, others want better quality and are willing to pay for it."

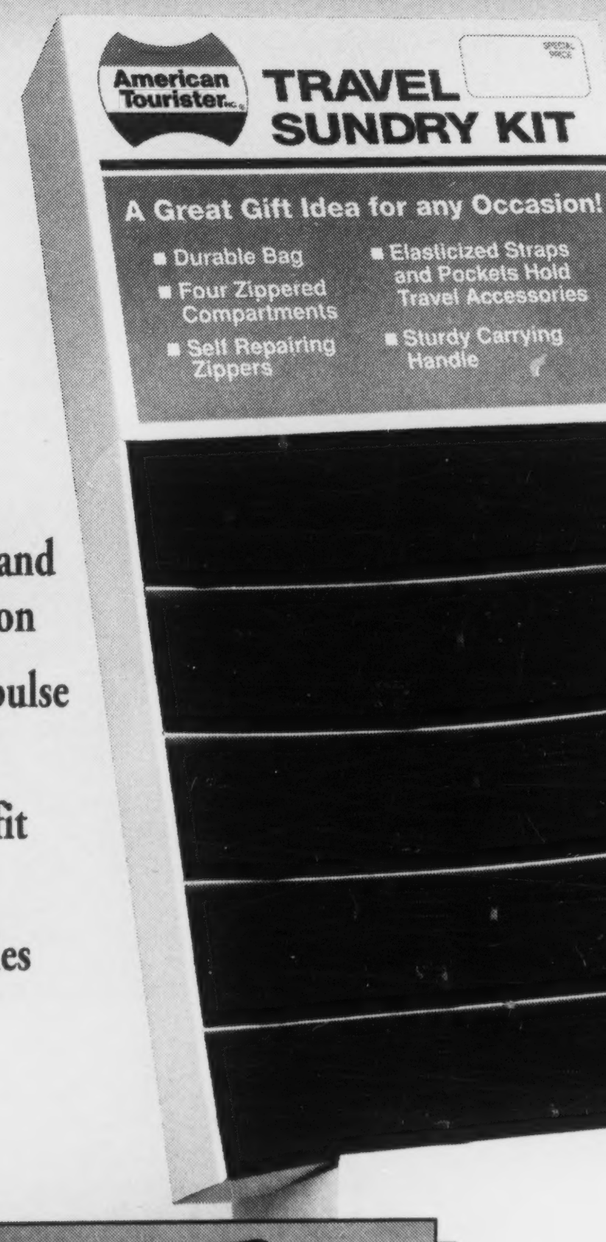
Disposable lighters continue to move out in multipacks with Bic's duo leading in dollars and units. Even with declining cigarette sales, new styles, colors and multipacks keep the lighter category from slipping.

Smokers don't just need a handy light, often they want to keep lighters in several convenient places, which adds up to unit sales of around 600 million per year. Plus smokers have a new choice at the checkout, since child-resistant lighters are just reaching the market.

American Tourister INC.®

THE PERFECT PROFIT MOVING PROMOTION

New American Tourister Travel Sundry Kit Floor Displays



- Strong Brand Recognition
- Great Impulse Purchase
- High Profit Margins
- Quick Sales Turn

- Contains twenty American Tourister Sundry Kits (5 each - navy, black, green and khaki)
- Assembled Display Dimensions – 24"W x 64"H x 18"D
- 100% Recyclable Display

Model T-800 SKD

Americans are on the move – Holidays, Vacations, School, Business, Weekends. Capitalize on their travel needs with the perfect display.

The Travel Sundry Kit Display contains twenty handsome, durable polyester toiletry bags which boast four convenient zippered compartments. Great for impulse gift or self purchases!

A Combination Display is also available packed with twelve Sundry Kits (3 each - navy, black, green and khaki) and eight Garment Dress Bags (4 each - grey and black). Perfect for toting hanging garments or safe storage, its extra length easily accommodates dresses or coats.

Model T-801 BKD

Cash in on incremental sales and extraordinary profits! Immediate delivery on both displays.

American Tourister, a prominent travel leader, offers a broad product line from luggage tags to locks to neck rests for year round profits.

American Tourister Travel Accessories are exclusively distributed by Franzus Company, Inc. To order, or for more information, contact Franzus – Murtha Industrial Park, Beacon Falls, CT, 06403; Tel. (203) 723-6664; Fax (203) 723-6666.

American Tourister INC.® by FRANZUS™

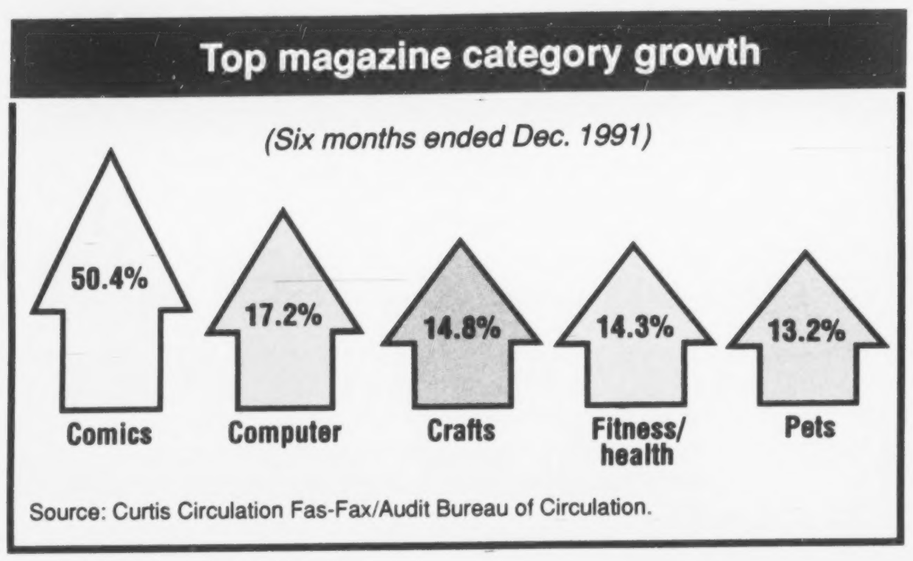
A NEW SOURCE FOR PROFITS

American Tourister is a registered trademark of American Tourister, Inc.

Screens burning UVB & also **blocks** penetrating UVA rays.
Herpecin-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

books & magazines

Tracking the trends in a mixed book, magazine market



Soft book and magazine sales reflect the recession, but hot categories like comics, health, crafts, gardening and paperback best sellers signal that busy customers will gladly pay for relevant information and time-out entertainment.

By Allene Symons

You can tell a lot about a country from its covers. These days, more men and women are concerned about computers, health and hearth along with home-based interests like how-to, pets and crafts. What's more, they're buying magazines on these subjects in record numbers while at the same time many big-name magazines are losing readers.

Meanwhile, kids are blowing allowance on comics like never before. The explosion in comics was responsible for the first upswing in overall single-copy magazine sales since 1987.

As Walgreens spokesman Michael Polzin reports: "Magazines are soft overall, as magazines in general have suffered from the recession," but he adds, "we carry comic books and those are selling well."

On the bookshelf, paperback bestseller reprints are still a prime impulse sale. "Best sellers are always strong with us," said the buyer of a southeast chain. Since her book and magazine departments are serviced by independent distributors, she explains: "I only see the paperback numbers in general, but I can see movement when I go into the stores."

Many retailers are finding ways to feature bulk displays of new-release titles for category excitement and extra display allowance. Others, like discounter Drug Barn in Northern California, offer good deals on yesterday's best sellers, piling them high to convey value in recessionary times.

Special sales

Despite unit decline in many big checkout titles like *Woman's Day, Ladies' Home Journal, Life* and *Family Circle*, special interest publications are the growth stock in magazine sales. A slight upturn in magazine sales for the first quarter of 1992 was boosted by these special-appeal publications.

According to Brian McDonnell of the Magazine and Paperback Marketing Institute in New York: "Growth is coming from vertical interest. If I'm a guitar player, it's not enough to have a music magazine. I want *Guitar Player.* I might want *Acoustic Guitar.* The consumer is looking for specific magazines and he will pay for it if that will help him with his hobby."

Comics racked up a whopping 50.4 percent unit increase in the last half of 1991 compared with the same period in 1990, according to the most recent figures from the Audit Bureau of Circulation

Continued on page 50

1993 STARTS ON JANUARY 10.

If you're in the Housewares business, the New Year officially begins at the 1993 International Housewares Show, January 10-13, McCormick Place, Chicago.

More than 50,000 housewares professionals will be there. Including 2,000 exhibiting companies previewing exciting new products for every room in the home: kitchenware, personal care and home electrics, ready-to-assemble furniture, decorative accessories, and much more. There's no bigger event in international housewares. Don't be one of the few to miss it. This year, you can save the $20 on-site admission (and avoid waiting in long lines) by pre-registering. To pre-register in one simple phone call – or to have a Pre-Registration Kit sent to you – call Rogal America toll-free at (800) 775-0505.

HOUSEWARES™
INTERNATIONAL SHOW

National Housewares Manufacturers Association 6400 Shafer Court Rosemont, Illinois USA 60018 Telephone:708.292.4200 Fax:708.292.4211

DSC–H

Two sunscreens give "maximal protection"! [SPF=15]
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Tracking trends in mixed book, magazine market

Continued from page 48

(ABC). Due to the spectacular performance of comics, single copy sales were up 4.3 percent in units. Excluding comics, single copy sales would have been down 3.4 percent.

With a category growth rate like this, it's clear that young "readers" can't be ignored. The appeal is visual, but since words move the story many parents and educators agree that when you get a kid started on comics, he or she is on the road to reading.

In the Southeast, a distributor arranged for this custom-tailored display for one drug chain: it's a dual-sided permanent rack for comic books, including a wire spinner and room for a cardboard feature display.

The same buyer also observes that "there seems to be lot of introductions in the computer area. My guess is that they wouldn't be publishing if they weren't growing."

In fact, computer magazines followed comics in single-copy sales growth with a 17.2 percent unit increase in the second half of 1991. Other growth subcategories included crafts with a 14.8 percent increase and health/fitness, up 14.3 percent. Pets also came on strong with a 13.2 percent increase in the second half of 1992.

To stimulate sales and catch changing demographics, magazine publishers are turning out new titles, covers, themes and promotions.

A healthy read

Last year, *Details* converted from a unisex urban trend magazine to a men's fashion publication. *Penthouse* just made a radical change from its usual X-rated fare to G-rated celebrity portrait covers in an effort to expand distribution.

After the startup glut of the mid-1980s, many new magazines in the 1990s are tightly targeted—after careful market study—in crosshair pursuit of consumers' disposable income.

"We launched *Men's Health* very slowly," with one issue in 1987, leading up to six in 1992 and nine in 1993, reports Richard Alleger, corporate director of retail sales for Rodale Press, who notes that *Prevention* rose 26 percent in single-copy sales in the first half of 1992.

This year it launched *Quick and Healthy Cooking* in March, and will debut a new women's magazine next year. "It's not just health and fitness as much as it will address women across the board—emotionally, physically, and it will also take on issues going on in Washington," says Alleger.

Prevention *networks video*

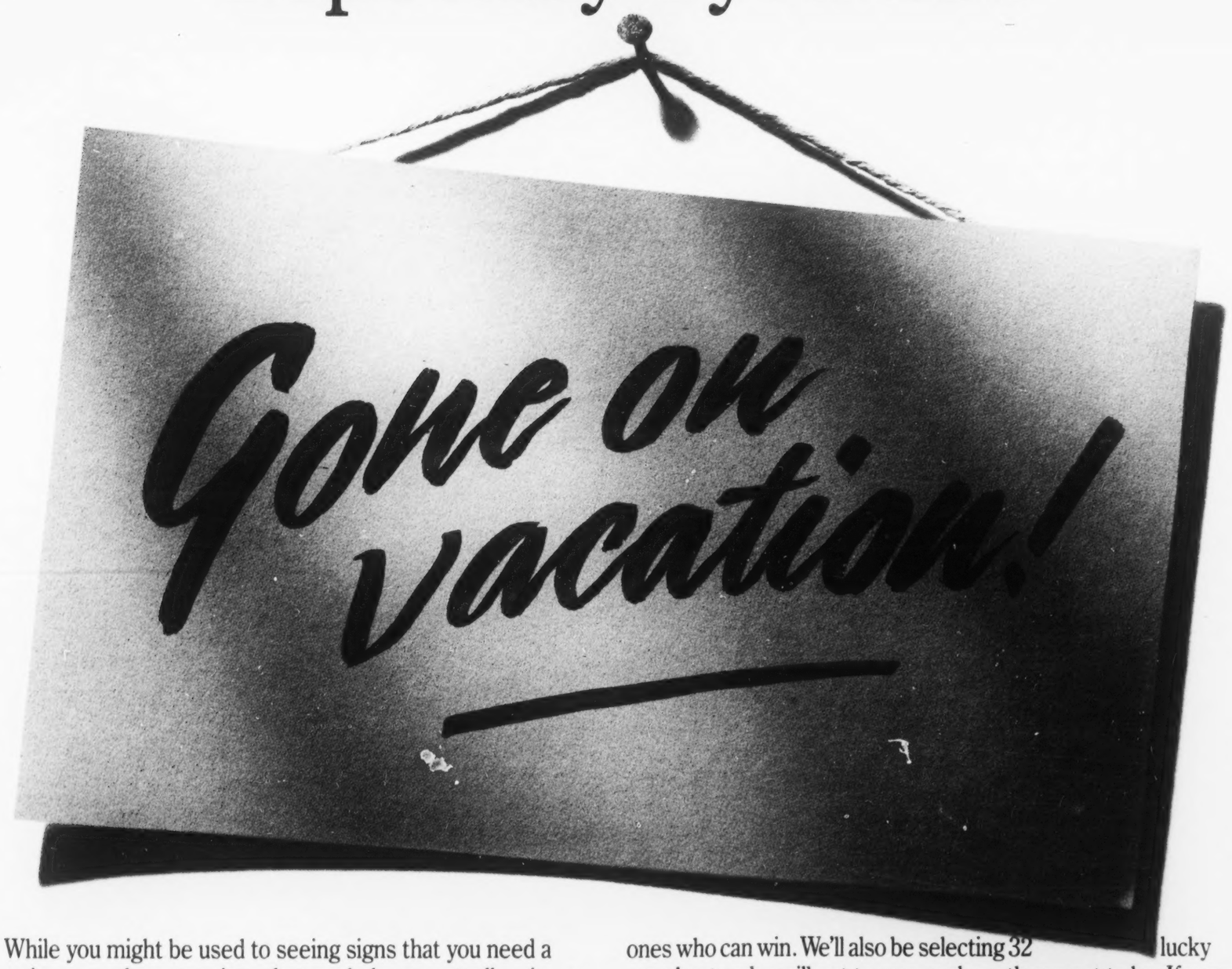
Prevention magazine went video this summer when its Personal Health Library debuted on the network of Personal Health Centers (PHC). The electronic centers, introduced last year by Advanced Interactive Video, Inc. of Columbus, Ohio, are pharmacy-based electronic information and sales systems. They include standing blood pressure monitors, a 20-inch overhead TV, public service announcements, advertising and promotional messages.

The dramatized 30-second video spots cover three articles per topic based on *Prevention* articles and books. An example is *The Cold War* with segments entitled "Stress and Colds," "Blister Relief," and "Colds, Kids & You." Other topics include "Good Vision Tips," "Ease Your Painful Back," "Skin and Beauty" and others.

An interactive touch screen linked to a second TV provides access to drug directories with information about OTC medications and prescription drugs. By touching the screen, consumers can select electronically displayed material or choose a hard copy printout.

Pilot programs were installed this summer in Wal-Mart, Phar-Mor, Target and Shopko. Jo-Ann Kelly, sales promotion director for *Prevention*, says the video isn't designed to serve as a substitute for pharmacy counseling; it should enable a patient to access information which could be used as a basis for discussion with a pharmacist. "Customers don't always know what their questions are. This way they can read the information on the screen, touch a button and it will print out for them."

With Visa's latest promotion, you'll have to display some signs. Especially if you win.



While you might be used to seeing signs that you need a vacation, now there are signs that can help you actually win one. Just enter the Visa® "Anywhere You Want To Be" merchant sweepstakes.

Simply give us a call or fill out the entry form, and we'll send you several small signs to display near your cash register. These signs will tell your customers that by using their Visa cards to make a purchase, they could win a vacation to "Anywhere They Want To Be."

But they're not the only ones who can win. We'll also be selecting 32 lucky merchants who will get to go anywhere they want to be. If your entry is chosen and the Visa signage is properly displayed when our mystery shopper visits your store, between November 23 and December 24, you can win the vacation of your dreams.

So get your entry in ASAP. Or call 1-800-538-2700 to sign up by phone. After all, you not only deserve a vacation. We thought a promotion would be nice as well.

VISA

Please enter me in the "Anywhere You Want To Be" Sweepstakes

☐ Send me FREE P.O.P. materials (table tent, register sticker, and ad slick)

Your Name (must be a manager)

Store Name

Store Address

City State Zip

Store Phone Number

Type of Business Number of Cash Registers

Complete and mail to:
Visa "Anywhere You Want To Be" Merchant Sweepstakes,
P.O. Box 7351,
Villa Park, IL 60181-7351.
Must be received by Nov. 16, 1992.

54-555

NO OBLIGATION OR PURCHASE NECESSARY. To enter and receive a free point-of-purchase (P.O.P.) kit call 1-800-538-2700 or complete entry form and mail to: Visa Merchant Sweepstakes, P.O. Box 7351, Villa Park, IL 60181-7351. Alternatively, for entry only, hand print your store name and address, phone number, your name, title and "Visa. It's Everywhere You Want To Be" on a 3" x 5" card and mail to: Visa Merchant, P.O. Box 8606, Elmhurst, IL 60126-8606. One entry per envelope; no mechanical reproductions. Entries must be received by 11/16/92. Void where prohibited. 32 prizes will be awarded in random drawings on or around 11/17/92. Stores selected in drawing must conspicuously display Visa "Anywhere You Want To Be" P.O.P. signage near cash register or payment location between 11/23/92 and 12/24/92 to win prizes. Selected stores will be mystery shopped to determine compliance. Alternate entries selected will not be mystery shopped. Each prize is a trip for two to "Anywhere You Want To Be" with a total value not to exceed $15,000. Trip will be awarded as follows: $9,000 travel allowance to be used for travel related expenses; $1,000 in Visa Travelers Cheques; and $5,000 cash applicable towards taxes on prize. Winner must execute affidavit of eligibility, in a timely manner. Winner and their travel guest must execute a liability/publicity release. Travel subject to availability and must be completed by 12/31/93. Sweepstakes open to store owners/management (18 years and older) of retail establishments in the continental U.S., Alaska and Hawaii accepting Visa cards as method of payment as of 11/16/92. Employees and immediate families of employees of Visa U.S.A. Inc. and Visa International Service Association, their subsidiaries, affiliates, Member financial institutions, and advertising and promotion agencies of Visa are ineligible. For complete details, see full official rules available by sending a self-addressed, stamped envelope to: Visa Merchant/Rules, P.O. Box 8610, Elmhurst, IL 60126-8610. Promotion ends 12/24/92. Odds of winning depend on number of eligible entries.

© Visa U.S.A. Inc. 1992

Rite Aid's revenues, earnings up in 2nd qtr.

CAMP HILL — Rite Aid Corporation's corporate revenues for the second quarter ended Aug. 29 advanced 9.2 percent to $983.44 million from $900.67 million for the same period one year earlier. Second quarter earnings increased 8.5 percent to $27.22 million from $25.09 million for the year before.

Sales for the 26 weeks climbed 8.8 percent to $1.97 billion from $1.81 billion and net income rose 11.6 percent to $60.23 million from $53.99 million.

Second quarter drug store sales grew 8.6 percent to $921.60 million for the quarter from $849.01 million. Earnings advanced 5.9 percent to $24.97 million from $23.59 million a year earlier. Year-to-date sales increased 8.1 percent to $1.84 billion from $1.71 billion. Net income advanced 10.7 percent to $55.33 million, compared to $49.99 million for the year-earlier period.

Same-store sales, which increased 5 percent for the quarter, were damaged by the timing of Labor Day, which fell in the third quarter this year as opposed to the second quarter last year. Same-store sales increased 5.8 percent for the 26-week period.

The chain was also affected by Hurricane Andrew, which caused damage in a number of the chain's locations in Florida and caused many of them to be closed for several days.

Albertson's posts record sales

BOISE, Idaho — Albertson's announced record sales for the period ended July 30 of $2.6 billion, up 18.8 percent from $2.19 billion in the same period last year. Net earnings were up 12.5 percent to $66.0 million from $58.7 million, while operating profit increased 21.8 percent for the comparative quarter. Same-store sales for the 13-week period increased 0.8 percent.

Year-to-date sales were $4.9 billion, up 12.6 percent from $4.4 billion for the same period last year, although same store sales were flat for the 26 weeks. Net earnings were $92.0 million compared to $117.3 million last year, which reflects one-time costs associated with the Jewel Osco acquisition in April.

Remodels were completed on 15 stores for a total of 23 year-to-date. Five stores were opened in the 13 weeks for a total of 83 for the 26-week period (including Jewel Osco acquisition), while five stores were closed year-to-date. Albertson's currently operates 640 stores in 19 Western, Midwestern and Southern states.

Buttrey sales down, net income up

GREAT FALLS, Mont. — Buttrey Food and Drug Stores reported a second quarter decrease in sales of 10.1 percent, from $128.2 million to $115.3 million in the same 13-week period last year. Sales posted for the 26-week period decreased 6.1 percent from $244.5 million in 1991 to $229.4 million in 1992.

The second quarter sales decrease reflects an 11.1 percent decline in comparable store sales (7.2 percent YTD) as the chain continues to be impacted by new competition in some markets, remodeling by certain competitors, price deflation in food categories and general economic conditions.

According to president and ceo Ed Agnew, Buttrey has implemented cost reduction programs such as restructuring of store management teams in certain markets. In some cases these have resulted in sales declines but are intended to enhance the company's long-term competitive position.

Buttrey reported net income for the 13-week period up 181.0 percent, from $916,000 to $2,574,000. Gross profit for the period decreased, but increased 1.2 percentage points as a percent of sales, or from 24.4 percent to 25.6 percent (this improvement reflects elimination of a non-cash charge for amortization of a supply agreement with American Stores).

MARKET DIARY:

Largest Dollar Gainer	Teva Pharm., J.C. Penney	$ 2.13	Advances	19
Largest Dollar Loser	Lilly Eli Co.	$ – 5.63	Declines	41
Largest Percentage Gainer	Columbia Labs	19.44%	Unchanged	2
Largest Percentage Loser	Barr Laboratories	– 21.69%	New highs	2
			New lows	6

	Close 9/15/92	Close 9/29/92	Net Change	Percent Change
Drug Store News Index	4635.26	4531.35	– 103.91	– 2.24
Dow Jones Industrial Average	3327.32	3266.80	– 60.52	– 1.82
Standard & Poor's 500-Stock Index	419.77	416.80	– 2.97	– 0.71
N.Y.S.E. Composite	231.04	228.90	– 2.14	– 0.93
Value Line Index	249.66	245.83	– 3.83	– 1.53

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 9/15/92	Closing Price 9/29/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.38	4.88	– 0.50	– 9.30	14	0.00	0.00	5.75	3.47
OTC	Arbor Drugs	ARBR	21.50	21.63	0.13	0.58	23	0.12	0.55	25.25	17.50
OTC	Big B	BIGB	14.00	14.13	0.13	0.89	14	0.20	1.42	16.25	10.63
OTC	Drug Emporium	DEMP	4.75	4.63	– 0.13	– 2.63	—	0.08	1.73	9.25	3.63
NYS	Fay's Inc.	FAY	8.00	7.50	– 0.50	– 6.25	14	0.20	2.67	10.09	6.59
ASE	Genovese Drug	GDX.A	8.25	7.88	– 0.38	– 4.55	8	0.24	3.05	14.75	7.50
NYS	Longs Drug Stores	LDG	34.88	35.25	0.38	1.08	13	1.12	3.18	40.00	33.13
OTC	Medicine Shoppe	MSII	25.75	23.50	– 2.25	– 8.74	17	0.36	1.53	30.75	22.50
NYS	Perry Drug	PDS	8.25	8.63	0.38	4.55	11	0.00	0.00	11.63	6.75
NYS	Rite Aid Corp.	RAD	20.88	22.63	1.75	8.38	15	0.52	2.30	22.63	17.25
NYS	Walgreen Co.	WAG	38.13	38.00	– 0.13	– 0.33	22	0.52	1.37	39.75	28.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	19.88	18.25	– 1.63	– 8.18	14	0.40	2.19	22.63	16.00
OTC	Bindley Western Ind.	BIND	15.63	14.13	– 1.50	– 9.60	9	0.04	0.28	20.75	13.50
OTC	Cardinal Distribution	CDIC	28.50	29.00	0.50	1.75	21	0.08	0.28	38.75	22.50
OTC	Durr-Fillauer	DUFM	32.75	33.13	0.38	1.15	24	0.28	0.85	33.50	17.50
NYS	FoxMeyer Corp.	FOX	12.38	11.50	– 0.88	– 7.07	12	0.28	2.43	16.63	10.38
NYS	McKesson Corp.	MCK	38.00	38.25	0.25	0.66	43	1.60	4.18	40.13	30.25
ASE	Moore Medical (H)	MMD	9.00	9.63	0.63	6.94	21	0.00	0.00	11.13	3.00
NYS	Owens & Minor	OMI	17.88	17.50	– 0.38	– 2.10	17	0.24	1.37	24.25	16.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	30.00	28.38	– 1.63	– 5.42	20	0.60	2.11	34.88	26.13
NYS	American Home Products	AHP	71.13	67.50	– 3.63	– 5.10	15	2.60	3.85	86.25	66.63
ASE	Barr Laboratories	BRL	10.38	8.13	– 2.25	– 21.69	271	0.00	0.00	37.50	5.88
NYS	Baxter International (L)	BAX	34.75	32.88	– 1.88	– 5.40	16	0.84	2.56	40.88	32.88
OTC	Block Drugs Co.	BLOCA	47.25	46.50	– 0.75	– 1.59	14	0.88	1.89	61.00	42.50
ASE	Bolar Pharmaceutical	BLR	9.75	8.88	– 0.88	– 8.97	—	0.00	0.00	14.50	5.38
NYS	Bristol-Myers Squibb	BMY	67.25	63.75	– 3.50	– 5.20	16	2.76	4.33	90.13	62.00
NYS	Carter-Wallace	CAR	28.13	27.00	– 1.13	– 4.00	27	0.32	1.19	45.84	22.88
ASE	Columbia Labs	COB	4.50	5.38	0.88	19.44	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	19.13	19.13	0.00	0.00	13	0.28	1.46	24.38	16.88
ASE	Forest Labs	FRX	38.50	35.00	– 3.50	– 9.09	29	0.00	0.00	42.88	30.00
ASE	Halsey Drug	HDG	7.00	6.38	– 0.63	– 8.93	21	0.00	0.00	9.75	5.63
NYS	ICN Pharmaceutical	ICN	7.25	7.13	– 0.13	– 1.72	17	0.00	0.00	25.38	5.63
NYS	Johnson & Johnson	JNJ	50.50	47.63	– 2.88	– 5.69	20	0.92	1.93	58.69	42.38
ASE	Lee Pharmaceutical	LPH	1.13	1.00	– 0.13	– 11.11	—	0.00	0.00	2.13	0.75
NYS	Lilly Eli Co. (L)	LLY	67.88	62.25	– 5.63	– 8.29	13	2.20	3.53	87.75	62.25
NYS	Marion Merrell Dow	MKC	27.63	26.25	– 1.38	– 4.98	11	1.00	3.81	39.00	25.75
NYS	Merck Co.	MRK	47.50	44.00	– 3.50	– 7.37	22	1.00	2.27	56.59	42.25
NYS	Mylan Labs	MYL	26.88	26.38	– 0.50	– 1.86	47	0.12	0.45	27.50	15.75
NYS	Novo-Nordisk	NVO	94.00	93.13	– 0.88	– 0.93	17	0.60	0.64	96.75	72.75
OTC	Nutramax Products	NMPC	8.13	8.25	0.13	1.54	20	0.00	0.00	12.50	6.75
NYS	Pfizer Inc.	PFE	79.63	74.50	– 5.13	– 6.44	33	1.48	1.99	87.00	62.75
NYS	Pharmaceutical Resources	PRX	5.38	6.38	1.00	18.60	—	0.00	0.00	8.00	3.25
NYS	Rhone-Poulenc Rorer (L)	RPR	50.25	46.00	– 4.25	– 8.46	18	0.72	1.57	69.38	46.00
NYS	Schering Plough	SGP	59.38	56.13	– 3.25	– 5.47	17	1.56	2.78	68.00	49.88
NYS	Syntex Corp. (L)	SYN	28.38	26.38	– 2.00	– 7.05	13	1.04	3.94	56.00	25.75
OTC	Taro-Vit Industries	TAROF	7.75	7.63	– 0.13	– 1.61	64	0.00	0.00	12.75	3.88
OTC	Teva Pharmaceutical Ind. (H)	TEVIY	27.13	29.25	2.13	7.83	29	0.16	0.55	30.75	15.00
NYS	Upjohn Co.	UPJ	34.50	33.25	– 1.25	– 3.62	11	1.48	4.45	47.75	31.00
NYS	Warner-Lambert	WLA	66.25	63.13	– 3.13	– 4.72	45	2.04	3.23	79.25	58.38
OTC	Zenith Labs	ZENL	13.00	13.75	0.75	5.77	—	0.00	0.00	24.50	9.63
Other retailer transactions											
NYS	Albertson's	ABS	44.88	44.13	– 0.75	– 1.67	24	0.64	1.45	47.50	32.75
NYS	American Stores	ASC	39.13	39.75	0.63	1.60	18	0.68	1.71	40.38	26.00
NYS	Giant Food (L)	GFS.A	18.00	17.88	– 0.13	– 0.69	15	0.68	3.80	26.25	16.88
NYS	Great Atlantic&Pacific Tea (L)	GAP	26.50	24.75	– 1.75	– 6.60	—	0.80	3.23	35.25	24.75
NYS	Kmart	KM	24.25	25.00	0.75	3.09	13	0.92	3.68	27.50	19.06
NYS	Kroger	KR	12.75	12.25	– 0.50	– 3.92	13	0.00	0.00	21.13	11.25
NYS	Melville Corp.	MES	50.50	49.88	– 0.63	– 1.24	15	1.48	2.97	52.00	38.25
OTC	Fred Meyer	MEYR	26.63	26.63	0.00	0.00	14	0.00	0.00	29.25	19.75
NYS	Penney, JC	JCP	68.63	70.75	2.13	3.10	25	2.64	3.73	73.50	47.25
NYS	Safeway	SWY	10.50	10.00	– 0.50	– 4.76	19	0.00	0.00	20.25	10.00
NYS	Smith's Food & Drug	SFD	32.63	34.50	1.88	5.75	20	0.44	1.28	43.25	25.75
NYS	Wal-Mart	WMT	58.50	58.88	0.38	0.64	38	0.20	0.34	59.88	45.25

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 18 Oct. 12, 1992

The newspaper of chain drug retailing

C5150-2

October 26, 1992

DRUG STORE NEWS

SECOND CLASS

Vol. 14 No. 19

A Lebhar-Friedman publication

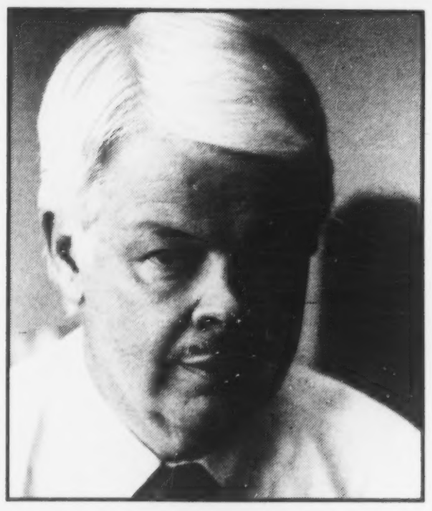
Drug chains grapple with shift to EDLP

By Mike Troy and Jim Frederick with Al Heller

Is everyday low price a threat or a boon to the chain drug industry?

The answer depends on who you ask. Moves by Procter & Gamble and other suppliers to jettison their longstanding policies regarding deal pricing and trade allowances over the past year have been welcomed by some, particularly by operators who can counter lower revenues on the buy side with high volumes and low operating costs on the sell side. But the shift to everyday low price, or EDLP, is meeting staunch resistance from many drug and food retailers and wholesalers.

The reasons are clear: most drug chains can't possibly emulate the kind of super-efficient, high-volume retailing practiced by Wal-Mart and other adherents of EDLP who can close the productivity loop with fast turns, low everyday prices and low operating costs. And while most chain drug executives say they can live with a flexible form of contract pricing vis-a-vis their suppliers, most say they can't part with the kinds of deal opportunities and promotional allowances they need to build margins and draw customers.



Peterson
Eckerd

'We think EDLP doesn't work that well in our industry. We see it as a negative in our industry.'

"Like most drug chains, we have to make our money on the buy as well as the sell side," said Stephen Lund, vp of merchandising at Perry Drug Stores. "We have to promote to compete in heavily contested consumables, and just having an everyday low price doesn't cut it for us. When you flatten the [deal] curve out, you no longer have the ability to price as competitively." He added, "The manufacturer has taken away the thing we worked so hard for so long to perfect."

Lund's comments were echoed by many of his chain drug counterparts around the country. Said Jim Mastrian, senior vp of marketing at Revco D.S., "Like most everybody else in our industry, we don't like EDLP. It doesn't seem in our best interest." He added, "EDLP just forces prices and margins down. That means drug chains have to sell at lower prices and margins, and we're left without some of the support the industry has depended on."

Harris
Randall's

'We have to get back to doing business, the way business has to be done. Buyers need to get back to selling the products.'

"We think EDLP doesn't work that well in our industry," added Ron Peterson, executive vp of marketing and merchandising at Jack Eckerd Corp. "We see it as a negative in our industry."

Trade incentives

Along with other drug and supermarket chains, Eckerd, Revco and Perry have come to rely on the kinds of trade incentives P&G and other suppliers have used for years to promote their brands. Those incentives evolved over the past two decades into a complex and highly entrenched pattern of doing business—a pattern that rewarded retailers and wholesalers to take on more product than they could sell at any given time.

The practice, called trade

Continued on page 7

Weitz ready for change at Duane Reade

With Bruce Weitz at the helm as president and ceo of Duane Reade, automation, expansion and a hard line with suppliers may be on the horizon.

By Barbara White

NEW YORK — Just months after Bain Capital, a Boston-based investment firm, purchased Duane Reade, the newly formed Duane Reade Holding Corp. has begun to define the chain with the appointment of Bruce Weitz as president and ceo.

Weitz will return to the New York metro area from Boston, where he has served as president of Grossman's, the Braintree, Mass.-based home improvement and hardware retailer.

Weitz's appointment is part of Duane Reade Holding Corp.'s plans for the growth of the 37-unit chain. "Duane Reade is a successful chain with an extremely competitive strategy," Weitz told *Drug Store News*. "The chain's success is a testament to the Cohens and all of the staff at the chain. The Cohens will continue to have an active role for a period of time. They are a valuable asset to the company and bring a lot to the party."

Weitz

Although expansion has been broadly hinted at by the Cohen brothers and Bain, no one will reveal a game plan as yet. Said Weitz: "We'll look to expand the chain. The people involved in the chain have created a very successful operation and should reap the benefits that expansion will afford." Weitz said growth would come within the metro New York area, but would not comment on any expansion outside of the five boroughs.

Weitz said he felt he could make a contribution to the chain based on his experience in marketing, store layout and design, warehousing and transportation.

His contributions are likely to involve advances in technology. At Grossman's, Weitz instituted front and back-end automation. Although Duane Reade has managed the keep its turns at the top of industry charts without the help of POS scanning and automation, under Weitz, the chain will likely enter the electronic age soon.

"Technology should be used as a competitive weapon based on what it can do for the company and the customer," said Weitz. "I would say technology would be one of the areas that I will concentrate on first.

"Technology changes the way you receive merchandise

Continued on page 36

Phar-Mor gets financing; to keep 258 units open

YOUNGSTOWN, Ohio — Embattled Phar-Mor has lined up agreements from its bank and insurance lending groups to provide the company with up to $150 million in much needed debtor-in-possession (DIP) financing. At the same time, Phar-Mor announced it has forged a new trade credit agreement to secure new credit terms with its suppliers.

Both the loan and credit agreements are a big boost to the chain, which has worked feverishly to secure a lifeline from lenders and trade creditors since it took a $350 million charge for financial irregularities and filed for bankruptcy this past summer. The loan package arrives in time for Phar-Mor to stock up for its crucial year-end

Continued on page 36

Walgreen outruns economy with 18th record year

DEERFIELD, Ill. — Keeping a tight rein on expenses and capitalizing on a maturing store and prescription base, Walgreen Co. racked up its 18th consecutive year of record sales and earnings in fiscal 1992.

Sales advanced 11 percent to $7.47 billion for the year, pushing net earnings up a healthy 13.2 percent to $220.6 million. Fourth-quarter results reflected the anemic economy, but net income was still up 11.7 percent on a 10.5 percent sales hike.

"Pharmacy sales advanced 16.2 percent for the year and again led our sales increase," said chairman and ceo Charles R. Walgreen III. "Pharmacy is 37 percent of our total sales today."

Same-store prescription sales were up 13.7 percent for the year.

Continued on page 36

Food Merchandising supplement

If your DrSN issue arrived without a copy of Food Merchandising you may obtain copies by calling customer service at (813) 664-6707.

Bath & Body Care report 17

NEWS IN BRIEF

CVS names Morphis

WOONSOCKET, R.I. — CVS has named Gene Morphis to the post of executive vp and cfo, with responsibility for the finance, management information services, loss prevention and internal audit departments.

He was most recently vp and cfo at American Woodmark Corp., Winchester, Va.

Morphis

Safeway promotes Boyd

OAKLAND, Calif. — Dick Boyd was promoted to vp of corporate pharmacy operations at Safeway Inc. He had previously served as director of corporate pharmacy since joining Safeway in 1991.

Before joining Safeway, Boyd was with American Drug Stores as senior vp of pharmacy, and he spent 31 years at Longs.

Bergen agrees to buy Dr. T.C. Smith Co.

ORANGE, Calif. — Bergen Brunswig has agreed to purchase the North Carolina-based Dr. T.C. Smith Company, a private company which distributes pharmaceuticals and medical and surgical supplies, for an estimated $20 million. The company operates facilities in Asheville and Raleigh, N.C. and has a sales volume of approximately $150 million, primarily in the mid-Atlantic market.

Reportedly the medical/surgical supply sales are a small part of Smith's business.

The transaction is expected to be completed in November, subject to antitrust and other approvals.

Consumers: loyal to drug pharmacies

MINNEAPOLIS — Drug store pharmacies fill roughly 80 percent of the nation's prescriptions, but food retailers have in recent years steadily added pharmacies. Now, a study by MPSI/Retail Systems, based here, indicates that consumers remain dedicated to their drug store pharmacist even though there may be a grocery pharmacy nearer to their home.

"Proximity to home is a critical factor in shopping for prescription drugs, and in the minds of consumers, conventional drug stores are perceived to best meet this need as compared to other store types," said Steve Kotvis, director of marketing with MPSI/Retail Systems.

"This advantage, however, is more based on perception than behavior. While conventional drug stores are conveniently located, consumers report that they actually travel shorter distances to shop supermarkets for HBC products."

Kotvis spent six months analyzing data obtained from more than 1,000 telephone interviews of consumers in Florida's Tampa/St. Petersburg area.

Findings are based on 1,024 telephone interviews conducted during May and June 1991, and were published recently in a report called "The Rhyme and Reason of HBC Consumers."

According to Kotvis, two out of five prescription consumers have shopped the same pharmacy for at least five years, and two out of three consumers shop only one pharmacy. Only one out of six persons interviewed has switched pharmacies in the past two years, and of those, only one-third did so to obtain a lower price.

Prescription drug consumers are a relatively loyal group, especially as compared to all HBC consumers, making them an especially challenging consumer for new retailers entering a market, according to the study. It can take several years to capture business from existing pharmacies.

IN THIS ISSUE

FEATURES

Everyday Low Pricing ... 1, 7-8
Pictures in the News 33
CDMA 34

HEALTH AND BEAUTY AIDS

Beauty Beat 29-30

BATH AND BODY CARE

Category Review 17-26

DEPARTMENTS

Opinion
Market Pulse 4
Washington Perspective 4
People in the News 13
Finance 38

CDMA mission: expand clout of small and mid-size chains

DALLAS — The Chain Drug Marketing Associates recent fall show here has solidified the trade group's position with small- to mid-size chains that want to combine buying clout so they can better compete with larger chains.

"This is the type of organization that small chains and independents can't live without," said Gary Wolf, president of deep discounter I Got it at Gary's. "This organization is here to answer our needs. They're tuned in and there are some real players here. CDMA needs the commitment from the major suppliers and chains, and I think that's happening."

Lever Brothers, Procter & Gamble and Gillette were just a few big names among the 160 suppliers present at the show. Over 60 chains were represented.

"This show has really been marked with a great deal of enthusiasm," said CDMA president James Devine.

See CDMA, page 34

Besides new products on the show floor, the show delivered useful informational sessions. CDMA's Idea Exchange gave chains a brainstorming forum to discuss marketing.

"This show allows me to network with chain executives," said Jay Kessler, president of Ark Drugs. "We share common problems and can come up with some good solutions through the idea exchange."

The show featured some new workshops as well, including sessions on reaching the mature market and POS automation.

"The education committee worked very hard to bring a program to this meeting that was timely and informative," said Bill Baxley, vp of Kerr Drug Stores and chairman of the education committee.

In another first at the meeting, a forum for cosmetic and HBA buyers enabled chains to share ideas and solve problems associated with managing a difficult category.

The buyers at the HBA roundtable agreed to meet twice a year and to form a task force that would enable the smaller chains to keep in closer contact with key suppliers.

At the Revlon luncheon, Michael Hammond, president of Revlon North America, pledged his commitment to be an active partner with chains.

Said Jim Harrison III, vp of Harco Drug and CDMA chairman of the board: "There are changes going on in the cosmetic category, and Revlon needs to be the leader. Together, we have to provide a collective forum so that we can carry the weight we need. It is a real problem when some suppliers are not seeing the smaller chains first with their new products."

HOT OFFERINGS

Among the most interesting new ideas and products at CDMA were:

- Express Shipping Centers, Fairfield, Iowa is a service that drug stores can offer their customers as an alternative to UPS shipping. Stores need only a 14-inch by 14-inch scale and some forms to start up the service. Express Shipping provides employee training and an 800 phone number that customers (and employees) can call with questions. The service should prove a winner at holiday time.

- Trolls were everywhere. CDMA buyer Lon Resnick said sales of troll merchandise are expected to exceed 100 million pieces this year. Russ, Ace and Applause showed troll merchandise. Bubbles and water guns are also hot, according to Resnick, with the week before Easter being the top selling week for such merchandise. Toi was just one vendor showing bubble toys.

- Four Point Design's, Fairfield, Conn., Loud-R device for the hearing impaired was presented at the merchandise presentations. The wireless device should make consulting hearing impaired customers easier for pharmacists.

- Tele Larm Inc., Raleigh, N.C., presented a full service for home-bound customers. The company offers a Care Phone system to seniors that keeps them in on-line contact with a computer system in case of an emergency.

- Unisar, New York, N.Y., showed FirstSounds, a fetal amplifier that allows parents to listen to the heartbeat of their unborn child.

Genovese launches mail order program

MELVILLE, N.Y. — Genovese has entered the burgeoning mail order arena.

The effort is headed by assistant vp Brad Goldin, who had previously run the chain's nursing home effort. So far, the chain has dedicated one pharmacist and one tech to mail order.

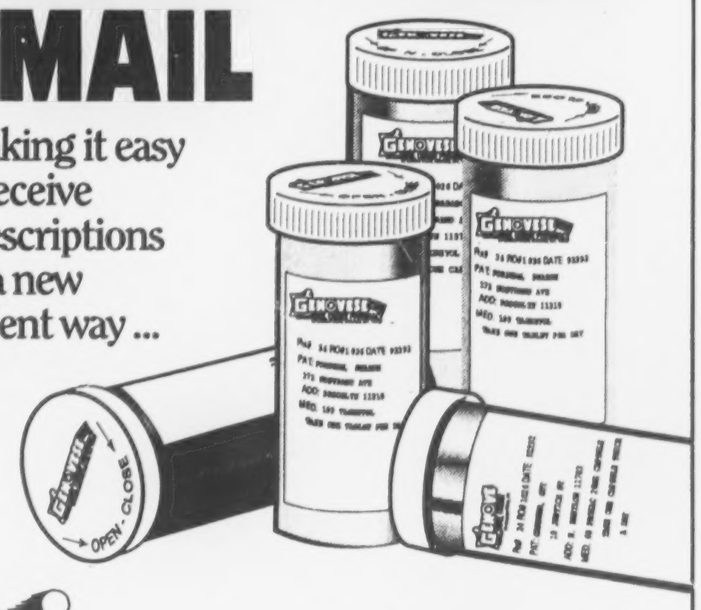
Customers enroll in the program through an 800 number. Medications are delivered to their homes within two days after receipt of an order. Genovese completes and files insurance claims for all customer orders. Prices for prescriptions filled under the plan equal those at Genovese's retail stores.

"We are looking to provide an extra service and to broaden our base," said Goldin. "A lot of people are shut-ins and can't get out to the pharmacy. Others are so busy that they don't have the time to go to a retail pharmacy."

Goldin said that Genovese will be looking to secure contracts with health plans.

PRESCRIPTIONS BY MAIL

We're making it easy to receive your prescriptions in a new convenient way ...



GENOVESE
DIV. of GENOVESE DRUG STORES, INC.
MAIL ORDER PHARMACY
1 (800) 966-9098

Everyday low price: what's your view?

The major editorial package we've prepared to lead off this issue tells us that a huge change in retail pricing philosophies will probably occur glacially rather than speedily—especially given EDLP's chilly reception among drug chain executives.

Not only do they harbor major concerns about EDLP, so do many combo operators, wholesalers and other manufacturers who seem hooked on trade promotions, forward buying and giving retailers and middlemen a chance to excite consumers in-store—"prime the pump," as one put it, to build incremental sales and make stores distinctive.

MARKET PULSE
AL HELLER

Dozens of retail trade executives we spoke with are clearly grappling with the everyday low price concept. Some wish the letters EDLP weren't in the alphabet, while many others may yet embrace some form of contract pricing—though the chances of that happening are better if trade allowances are maintained in force.

We want to know what you think about EDLP today, and its impact on retail practices as we progress through the '90s. We value your opinions, and very much appreciate if you would respond to this questionnaire.

Feel free to write your answers on this page and FAX it back to me at (212) 756-5250. If you want to write a lot, send an extra sheet with your comments. Or write a little, as you prefer.

1. a. If you were starting your business today, would you begin on an EDLP basis with your suppliers?

b. Why or why not?

2. a. How much of a factor are trade allowances and deal buying in your current profit structure?

b. Are they increasing or decreasing in importance?

3. What advantages do you see for your business in an EDLP strategy fostered by manufacturers?

4. a. Some manufacturers contend that EDLP leads to lower overall acquisition costs. Do you agree?

b. Are you able to pass those "savings" onto consumers?

c. Why or why not?

5. What difficulties does EDLP present to your business?

6. a. If more manufacturers force EDLP onto the trade, will EDI and retail automation help your chain adapt?

b. How?

7. a. Does EDLP foster or discourage brand loyalty?

b. Why?

8. a. Can EDLP work better for some categories than others?

b. Where can it be most effective?

9. a. Faced with EDLP efforts by Procter & Gamble, are you relying more on private label as a way to build gross margin dollars?

b. Do you expect to do more of this over the next two years?

10. How will this EDLP issue shake out later in the '90s? For example, do you see hybrid-EDLP programs developing into the most common kind of buy-sell relationship?

Name _____

Title _____

Chain _____

NDA finally sped up; user fees pay for plan

First the good news from Washington: during the closing days of this year's "gridlock Congress," the House, the Senate and the Bush Administration agreed on legislation designed to significantly reduce the "drug lag."

Advocates of the new approach say it will cut the FDA's new drug application (NDA) processing time almost in half and make important new pharmaceutical products available to Americans months or even years faster than under the current system.

WASHINGTON PERSPECTIVE
KEN RANKIN

The not-so-good-news is that Washington could have engineered this near-miraculous upgrade of the nation's drug approval system decades ago.

The election eve scheme concocted by Congress and the Administration does not rely on any scientific or technological breakthrough to accelerate the introduction of new medicines. Instead, Washington is addressing the problem the old-fashioned way: by throwing money at it, some $300 million over the next five years, via a new series of "user fees" levied on drug manufacturers seeking NDA reviews and agency approval to switch products Rx-to-OTC status.

The irony, of course, is that for decades now, the FDA has been dismissing criticism of its slow-footed NDA approval process.

Indeed, only a few years back, I was lectured at length by the FDA Commissioner on why the "drug lag" was a myth and how the agency was already moving new drugs out of the pipeline as quickly as possible. Any further "corner cutting" in the FDA's procedures could result in ineffective or even unsafe pharmaceuticals reaching the marketplace, agency officials argued.

Now, the FDA is acknowledging that there are unnecessary bottlenecks in the process for reviewing NDAs, and that 600 new federal drug review staffers and $300 million will eliminate them. The fact that this money will come from pharmaceutical manufacturer "user fees" rather than from taxpayers only adds to the irony of the situation.

Hopefully, the plan will work as predicted. But if it does significantly reduce delays in NDA approvals, the success of user fees will raise fresh concerns about federal health care policy over the past quarter century.

If $300 million is all it takes to make new lifesaving medicines available years sooner, why didn't Washington make this investment sooner?

DRUG STORE NEWS®

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

VP/Publisher **JAY FORBES**
Associate Publisher **JILL MANEE**
Executive Editor **AL HELLER**

Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Debady**, ext. 5234

Pharmacy Editor **Dianne Tharp, R.Ph.** (Tampa; (813) 664-6778)

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

REGIONAL SALES OFFICES

New York
Area Manager: **Lisa Shanower**
Boston 1 Gateway Center, Newton, MA 02158, (617) 527-6394
Regional Manager: **James Malver**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**

Art Director **Bob Brokman**
Graphic Artist **Kyung Ae Yoo**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director **Martha Pattley**
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**

Board of Advisers

Bill Edwards A. L. Price
Kevin Mann Rite Aid Corp.
Tim McAlear Pay Less Drug Stores
David Morocco Brooks Drug
Frank Newman F & M Distributors
Allan Patrick Genovese Drug Stores Inc.
Jack Robinson Perry Drug Stores
Jim Wuest Fay's
Gary Wilber Drug Emporium
Ron Ziegler NACDS

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Treasurer **Daniel J. Mills**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau ABP

Publisher of Drug Store News, Accounting Today, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

Subscriptions
Call (813) 664-6707
Having a problem with your subscription? Send us full details, including the mailing label from the last copy you received, along with your telephone number. We'll do everything possible to solve the problem at once. Write to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182.
Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Permissions
Materials in this publication may not be reproduced in any form without written permission. Requests for permission should be directed to Jay Forbes, publisher, Drug Store News, 425 Park Ave., New York, NY 10022.

Authorization to photocopy items for internal or personal use, or the internal or personal use of specific clients, is granted by *Drug Store News* provided that the base fee of $.25 per copy is paid directly to Copyright Clearance Center, 27 Congress Street, Salem, Mass. 01970. For those organizations that have been granted a photocopy license by CCC, a separate system of payment has been arranged. The fee code for users of the Transactional Reporting Service is 0012-3587/92/$.25.

Bergen Brunswig posts sales gain, profit drop

ORANGE, Calif. — Bergen Brunswig Corp. reported an 18 percent rise in sales but a 4.9 percent drop in profit on record volume of $5.05 billion for the fiscal year ended Aug. 31, 1992, compared with sales of $4.30 billion last year.

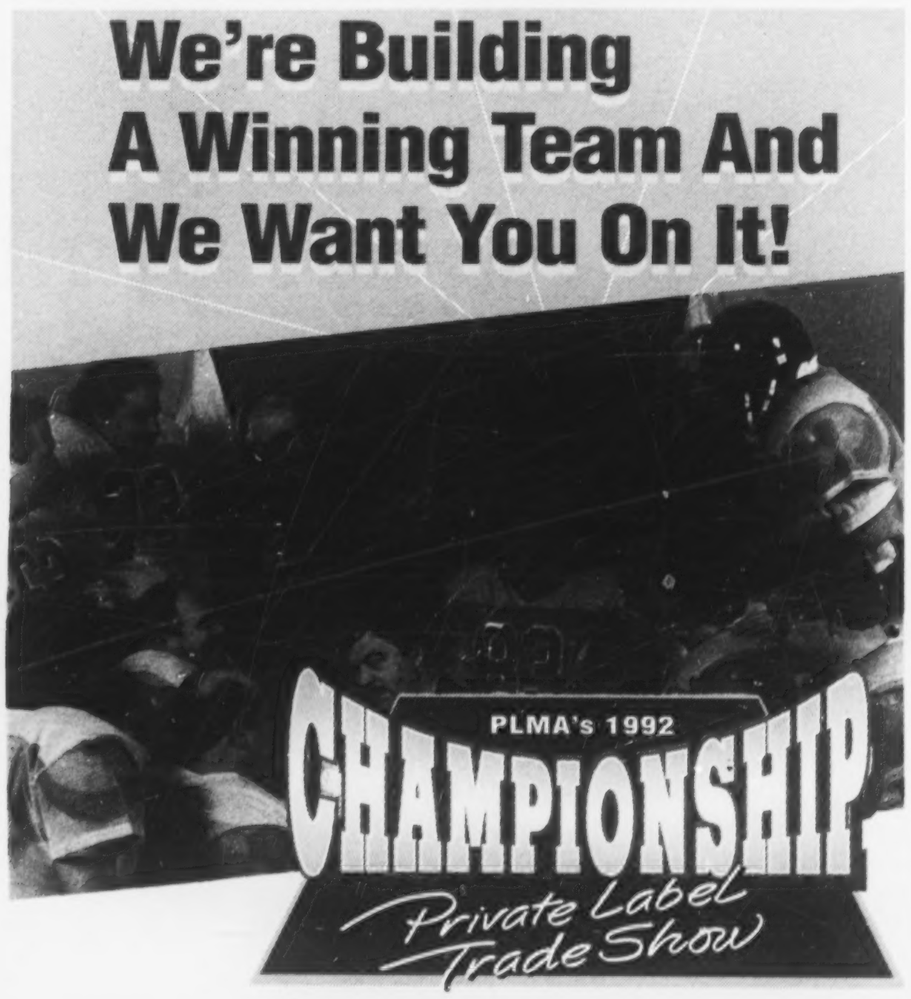
Net earnings slipped to $60.9 million from $64.1 million a year ago. Earnings for the year just ended include earnings from continuing operations of $53.0 million compared to $58.1 million for the similar period last year. The company completed the sale of Commtron during the fourth quarter.

For the fourth quarter ended Aug. 31, net sales increased 21 percent to $1.34 billion from $1.11 billion in the same quarter last year, while net earnings increased 37 percent to $17.7 million.

"Results for both the fourth quarter and the fiscal year met the company's objectives," said chairman and ceo Robert E. Martini, who noted that earnings were impacted by the recessionary climate, especially in California; by competitive pricing; and reduced forward buying opportunities.

During the fiscal year, Bergen Brunswig acquired substantially all of Owens & Minor's pharmaceutical distribution business, and on Oct. 5 it completed a merger with Durr-Fillauer Medical.

Two sunscreens give "maximal protection"! [SPF=15]
HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, 10150



Register now for the only show devoted entirely to store brands.

- 15,000 PRODUCTS ON DISPLAY
- 1,000 RETAIL AND WHOLESALE BUYERS
- 850 EXHIBIT STANDS

Plus...
- TOP INDUSTRY SPEAKERS
- LATEST MARKET RESEARCH

NOVEMBER 15-18, 1992
O'HARE EXPO CENTER, CHICAGO
Call (212) 972-3131 for details.

Presented by Private Label Manufacturers Association

MARKET DIARY:

Largest Dollar Gainer	Schering Plough	$ 3.13
Largest Dollar Loser	Novo-Nordisk	$ – 4.13
Largest Percentage Gainer	Lee Pharmaceutical	31.30%
Largest Percentage Loser	Columbia Labs	– 13.95%

Advances	22
Declines	38
Unchanged	2
New highs	2
New lows	12

	Close 9/29/92	Close 10/13/92	Net Change	Percent Change
Drug Store News Index	4531.35	4507.92	– 23.43	– 0.52
Dow Jones Industrial Average	3266.80	3201.42	– 65.38	– 2.00
Standard & Poor's 500-Stock Index	416.80	409.30	– 7.50	– 1.80
N.Y.S.E. Composite	228.90	225.31	– 3.59	– 1.57
Value Line Index	245.83	241.10	– 4.73	– 1.92

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 9/29/92	Closing Price 10/13/92	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	4.88	5.13	0.25	5.13	15	0.00	0.00	5.75	3.47
OTC	Arbor Drugs	ARBR	21.63	21.50	– 0.13	– 0.58	22	0.12	0.56	25.25	17.50
OTC	Big B	BIGB	14.13	14.25	0.13	0.88	14	0.20	1.40	16.25	10.63
OTC	Drug Emporium	DEMP	4.63	4.63	0.00	0.00	—	0.08	1.73	9.25	3.63
NYS	Fay's Inc.	FAY	7.50	7.25	– 0.25	– 3.33	14	0.20	2.76	9.69	6.59
ASE	Genovese Drug	GDX.A	7.88	7.63	– 0.25	– 3.17	9	0.24	3.15	14.75	7.50
NYS	Longs Drug Stores	LDG	35.25	34.25	– 1.00	– 2.84	13	1.12	3.27	40.00	33.13
OTC	Medicine Shoppe	MSII	23.50	23.00	– 0.50	– 2.13	16	0.36	1.57	30.75	22.50
NYS	Perry Drug	PDS	8.63	8.38	– 0.25	– 2.90	11	0.00	0.00	11.63	7.13
NYS	Rite Aid Corp. (H)	RAD	22.63	22.25	– 0.38	– 1.66	15	0.52	2.34	23.00	17.25
NYS	Walgreen Co.	WAG	38.00	39.25	1.25	3.29	22	0.52	1.32	39.75	30.38
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	18.25	20.38	2.13	11.64	14	0.40	1.96	22.25	16.00
OTC	Bindley Western Ind. (L)	BIND	14.13	13.38	– 0.75	– 5.31	9	0.04	0.30	20.75	12.88
OTC	Cardinal Distribution	CDIC	29.00	25.50	– 3.50	– 12.07	18	0.08	0.31	35.50	22.50
OTC	Durr-Fillauer	DUFM	33.13	32.75	– 0.38	– 1.13	24	0.28	0.85	33.50	17.50
NYS	FoxMeyer Corp.	FOX	11.50	12.63	1.13	9.78	13	0.28	2.22	16.63	10.38
NYS	McKesson Corp.	MCK	38.25	39.38	1.13	2.94	44	1.60	4.06	40.00	30.25
ASE	Moore Medical	MMD	9.63	9.38	– 0.25	– 2.60	20	0.00	0.00	11.13	3.00
NYS	Owens & Minor	OMI	17.50	18.38	0.88	5.00	18	0.24	1.31	24.25	16.50
Manufacturer's transactions											
NYS	Abbott Labs	ABT	28.38	28.63	0.25	0.88	20	0.60	2.10	34.88	26.13
NYS	American Home Products (L)	AHP	67.50	67.13	– 0.38	– 0.56	14	2.60	3.87	86.25	62.25
ASE	Barr Laboratories	BRL	8.13	9.00	0.88	10.77	22	0.00	0.00	36.13	5.88
NYS	Baxter International (L)	BAX	32.88	31.63	– 1.25	– 3.80	15	0.84	2.66	40.88	31.63
OTC	Block Drugs Co.	BLOCA	46.50	48.50	2.00	4.30	15	0.88	1.81	61.00	42.50
ASE	Bolar Pharmaceutical	BLR	8.88	7.75	– 1.13	– 12.68	—	0.00	0.00	14.50	5.38
NYS	Bristol-Myers Squibb (L)	BMY	63.75	63.13	– 0.63	– 0.98	16	2.76	4.37	90.13	60.00
NYS	Carter-Wallace	CAR	27.00	24.50	– 2.50	– 9.26	24	0.32	1.31	45.84	22.88
ASE	Columbia Labs	COB	5.38	4.63	– 0.75	– 13.95	—	0.00	0.00	10.38	4.00
ASE	Del Laboratories	DLI	19.13	19.25	0.13	0.65	14	0.28	1.45	24.38	16.88
ASE	Forest Labs	FRX	35.00	33.75	– 1.25	– 3.57	28	0.00	0.00	42.88	30.00
ASE	Halsey Drug	HDG	6.38	6.31	– 0.06	– 0.97	21	0.00	0.00	9.75	5.63
NYS	ICN Pharmaceutical	ICN	7.13	7.00	– 0.13	– 1.75	16	0.00	0.00	25.38	5.63
NYS	Johnson & Johnson	JNJ	47.63	48.13	0.50	1.05	20	0.92	1.91	58.69	43.00
ASE	Lee Pharmaceutical	LPH	1.00	1.31	0.31	31.30	—	0.00	0.00	2.13	0.75
NYS	Lilly Eli Co. (L)	LLY	62.25	60.13	– 2.13	– 3.41	13	2.20	3.66	87.75	58.75
NYS	Marion Merrell Dow (L)	MKC	26.25	24.63	– 1.63	– 6.19	11	1.00	4.06	39.00	24.25
NYS	Merck Co. (L)	MRK	44.00	42.63	– 1.38	– 3.13	21	1.00	2.35	56.59	40.50
NYS	Mylan Labs	MYL	26.38	24.75	– 1.63	– 6.16	44	0.12	0.48	27.50	15.75
NYS	Novo-Nordisk	NVO	93.13	89.00	– 4.13	– 4.43	16	0.60	0.67	96.75	73.75
OTC	Nutramax Products	NMPC	8.25	8.50	0.25	3.03	21	0.00	0.00	12.50	7.25
NYS	Pfizer Inc.	PFE	74.50	71.63	– 2.88	– 3.86	31	1.48	2.07	87.00	65.13
NYS	Pharmaceutical Resources	PRX	6.38	6.25	– 0.13	– 1.96	—	0.00	0.00	8.00	3.25
NYS	Rhone-Poulenc Rorer (L)	RPR	46.00	46.38	0.38	0.82	18	0.72	1.55	69.38	44.63
NYS	Schering Plough	SGP	56.13	59.25	3.13	5.57	18	1.56	2.63	68.00	49.88
NYS	Syntex Corp. (L)	SYN	26.38	26.00	– 0.38	– 1.42	12	1.04	4.00	56.00	24.13
OTC	Taro-Vit Industries	TAROF	7.63	7.75	0.13	1.64	65	0.00	0.00	12.75	4.13
OTC	Teva Pharmaceutical Ind. (H)	TEVIY	29.25	31.13	1.88	6.41	31	0.16	0.51	31.13	15.00
NYS	Upjohn Co. (L)	UPJ	33.25	31.50	– 1.75	– 5.26	10	1.48	4.70	45.88	30.00
NYS	Warner-Lambert	WLA	63.13	64.63	1.50	2.38	46	2.04	3.16	79.25	58.38
OTC	Zenith Labs	ZENL	13.75	13.50	– 0.25	– 1.82	—	0.00	0.00	24.50	11.00
Other retailer transactions											
NYS	Albertson's	ABS	44.13	44.00	– 0.13	– 0.28	24	0.64	1.45	47.50	32.75
NYS	American Stores (H)	ASC	39.75	38.88	– 0.88	– 2.20	17	0.68	1.75	41.50	26.00
NYS	Giant Food	GFS.A	17.88	17.75	– 0.13	– 0.70	15	0.68	3.83	26.25	16.88
NYS	Great Atlantic&Pacific Tea (L)	GAP	24.75	22.38	– 2.38	– 9.60	—	0.80	3.58	35.25	21.38
NYS	Kmart	KM	25.00	24.13	– 0.88	– 3.50	12	0.92	3.81	27.50	19.06
NYS	Kroger	KR	12.25	11.63	– 0.63	– 5.10	13	0.00	0.00	21.13	11.25
NYS	Melville Corp.	MES	49.88	48.50	– 1.38	– 2.76	15	1.48	3.05	52.00	38.25
OTC	Fred Meyer	MEYR	26.63	26.63	0.00	0.00	14	0.00	0.00	29.25	19.75
NYS	Penney, JC	JCP	70.75	71.25	0.50	0.71	25	2.64	3.71	73.50	47.25
NYS	Safeway (L)	SWY	10.00	10.63	0.63	6.25	39	0.00	0.00	20.25	9.63
NYS	Smith's Food & Drug	SFD	34.50	35.13	0.63	1.81	21	0.44	1.25	43.25	25.75
NYS	Wal-Mart	WMT	58.88	58.13	– 0.75	– 1.27	38	0.20	0.34	59.88	45.38

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.

Drug Store News (ISSN 0191-7587) is published biweekly—every other Monday, monthly in July and December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rates: in-field subscribers, retailers and wholesalers, one year (22 issues) $19.50; two years $35. Manufacturers and their representatives $45; schools, libraries and all other out-of-field subscribers $95. Foreign subscriptions: airmail only $125 per year.

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1992 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Circulation Fulfillment Director, Drug Store News, P.O. Box 31182, Tampa, FL 33631-3182. For change of address six weeks notice to Drug Store News, P.O. Box 31178, Tampa, FL 33631-3178 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 14, No. 19 Oct. 26, 1992

DRUG STORE NEWS®

VOL. 2 NO. 10 | The Journal of Retail Pharmacy | OCTOBER 26, 1992

for the PHARMACIST

NEWS FOCUS

• Look for a fresh attack on the Medicaid "best price" drug rebate rules early next year. Although Congress shot down efforts to replace "best price" with a flat percentage discount before adjourning this month, the American Society of Hospital Pharmacists (ASHP) says the battle isn't over. "Many decision makers on Capitol Hill now agree with ASHP that "best price" is merely shifting drug costs from Medicaid to institutional payers," the group said. "ASHP plans to continue the good fight with them next year."

• FDA boss David Kessler's plan to revise the labeling of prescription drugs to provide "talking points" for pharmacists is beginning to raise eyebrows and liability concerns within the profession. Under Kessler's scheme, the present "Information For Patients" section of drug labeling would be expanded to give pharmacists "a better idea of the important messages" the FDA believes it should be delivering to patients. But pharmacists at a recent USP patient education conference in Bethesda, Md., voiced concerns about the propriety of pharmacists counseling according to an FDA-written script—and fears about the liability consequences of not discussing the agency's "talking points."

Wholesalers survive a year of challenges

Bolstered by technology advances like McKesson's Acumax system, above, that helped trim distribution costs, the wholesale drug industry rose to meet the twin challenges of dramatically lower pharmaceutical price increases, which dampened forward buying opportunities, and withering price competition. Both trends eroded already wafer-thin margins. *Cover story begins on page 23.*

Technician Training Part 3 49

CE: Pregnancy & Ovulation Kits 55

DRUG STORE NEWS for the PHARMACIST

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, NY 10022
(212) 756-5220
Subscription Services:
(813) 664-6707
Cable Address: LEBHAFRIED
Panafax: (212) 756-5250

Publisher **JILL MANEE**
Pharmacy Editor **DIANNE THARP, R.Ph.**

Executive Editor **Al Heller**
Senior Desk Editor **Bernadette Casey**
Special Projects Editor **Elizabeth Parks**
Associate Editor **Barbara White**
Desk Editor **Carol Kearney**
Desk Editor **Fred Rueckher**
Editorial Info. Coord. **Carine Dabady**, ext. 5234

Bureau Editors: **James Frederick** (Sr. Editor, Cleveland; (216) 642-3420), **Allene Symons** (Assoc. Editor, Los Angeles; (213) 464-8321), **Mike Troy** (Field Editor, Tampa; (813) 664-6946), **Ken Rankin** (Bureau Chief, Washington; (301) 774-3895), **Deane Evans** (Washington)

REGIONAL SALES OFFICES

New York (212) 756-5220
Nat'l Accounts Manager: **Larry Krongold**
Midwest and West Coast 444 N. Michigan Ave., Chicago, IL 60611, (312) 644-8688
District Manager: **Maggie Kaeppel**
Area Manager: **Amanda Cimon**

Art Director **Bob Brokman**
Graphic Artist **Cate Johnson**
Director of Manufacturing **Stan Kaufman**
Advertising Production Mgr. **Mary Lewis**
Business Manager **Joel Safir**

CIRCULATION AND CE
3922 Coconut Palm Drive, Tampa, Fla. 33619. (813) 664-6746
Group Circulation Director **Martha Pattley**
Nat'l Director of Field Marketing & Circulation Services **Jim Dickison**
Circulation List Manager **Torry Burdick**
CE Administrator **Latara Clements**

Board of Pharmacy Advisers
Clarence Archer Wal-Mart
Marty Belitz Shoppers Drug Mart
Frank Deardorff IMS America
Len DeMino NACDS
Phillip R. Engle Bergen Brunswig Corp.
Robert King FoxMeyer Corp.
Howard Kramer Kmart Corp.
Tom Simone McKesson Corp.
Saul Schneider K&B Inc.
Al Sebok Revco D.S. Inc.
Bob Shapiro Perry Drug Stores Inc.

Founder (1900-1981) **Arnold D. Friedman**

President **J. Roger Friedman**
VP/Administration **Harry A. Estes**
VP/Publisher **Fred Filer**
VP/Publisher **Jay Forbes**
VP/Circulation **Martha Pattley**
VP/Publisher **John Rapuzzi**
VP/Treasurer **Daniel J. Mills**
VP/Human Resources **John Murro**
Director, Corporate Development **John O'Brien**

Japan Diamond-Friedman Ltd. Chain Store Age Japan 1-4-2 Kasumigaseki, Chiyoda-ku Tokyo, Japan, 504-6750

The Audit Bureau · MPA · ABP

Single copy price is $5.00 for a regular issue and $25.00 for a statistical issue.

Publisher of Accounting Today, Drug Store News, Discount Store News, Nation's Restaurant News, National Home Center News, Chain Store Age Executive (with Shopping Center Age), Food Merchandising, Home Market Trends, Supermarket HQ Quarterly, and *APPAREL merchandising*. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

editor's note

Mandatory Pharm.D gets thumbs down from grass roots

The results of our reader survey *[FTP Aug. 17, 1992]* are in, and a significant majority (65 percent) of you believe a mandatory Pharm.D is not in the best interest of the profession and will deter students from entering pharmacy.

Of the 700 responses received to date, 54 percent think that a Pharm.D will better equip the pharmacist for counseling and clinical practice, but 60 percent do not envision increased compensation for these activities.

Some notable comments:

- Academia has "always taken the easy way out by adding another year of education instead of changing and upgrading the [BS] curriculum;"
- "Rather than mandate another year, a new and improved B.S. Pharm curriculum would adequately train future community practitioners;"
- "I think the Pharm.D degree will give pharmacists the respect [in the medical community] that they already deserve;"
- "A properly trained and educated B.S. pharmacist can counsel and educate doctors, nurses AND patients;"

And from one Pharm.D practicing at retail: "I just don't think the Pharm.D [degree] is all it's hyped up to be."

The pharmacist shortage, the high cost of education, their current practice environment, and the reduced third party and government reimbursement further support the opposition's argument.

Among Pharm.D supporters, "grandfathering" of their B.S. degree was a condition. Many felt that a Pharm.D would be required for research, teaching or hospital practice, but with current computer support and mandatory CE, community practitioners are keeping up just fine.

Finally, a few wise souls admitted they just didn't know what would be best for the future of our profession.

Thanks for your response.

* * *

It is with a great sense of loss that I report the untimely passing of Matthew J. Clancy Sr., our group circulation director. Matt was an intelligent, hard working man who fully enjoyed life and made significant contributions to our publication. He will be sorely missed.

Dianne M Tharp

table of contents

Association executive viewpoint

For the Pharmacist talks with Ronald J. Streck, senior vp, office of the president, NWDA. **See page 36.**

Home testing kits

A market predicted to be $2 billion by the end of the decade is covered in this month's OTC Merchandiser. **See page 41.**

Ask the expert

How does one determine the ideal hours of operation for the pharmacy and promote the professional services provided? **See page 52.**

News & Trends 3
My way of thinking 9
Third-party news 10
Exec view 15
Different scripts 16
Regional recap 18
Drug watch 46
Technician training 49
Independent focus 50
Technician corner 52
Continuing education 55
Association news 62

Wholesalers survive a year of challenges

By Bruce Buckley

Like a deep-rooted tree in a hurricane, the wholesale drug industry withstood the buffeting of a stormy operating environment this year and emerged leaner and stronger.

Bolstered by advances in technology that helped cut distribution costs, the industry as a whole rose to meet the twin challenges of dramatically lower pharmaceutical price increases, which dampened forward buying opportunities, and withering price cutting by competitors. Both trends eroded already pencil-thin margins.

But smaller, less technologically advanced wholesalers suffered in the hostile climate. The bigger players had the resources to survive, though few had outstanding profit years. Smaller companies with a geographic or product specialty niche also managed to hang on.

The tough environment encouraged consolidation. The year turned out to be one of the most active for mergers in a decade. Some of the biggest of the top 20 were gobbled up, including Harris, Durr Fillauer and Owens & Minor.

Wholesaling veterans like Bergen Brunswig's Phil Engle and others see that consolidation trend continuing through the nineties as smaller, family-owned wholesalers lacking the long-term resources to play in the big leagues succumb to competition in their markets and sell out.

The number of companies will dwindle, says Engle, but not to the five or six that doomsayers sometimes predict. He sees the current mix of about 80 companies dropping to 50 or 60 during the decade, including the giants and smaller niche players.

Consolidation also took place in distribution facilities, as major players like McKesson traded smaller warehouses for higly automated regional distribution centers. McKesson set a goal to cut the number of facilities from 45 to 40 this year.

Big new centers like McKesson's Belran, N.J., plant were equipped with the

Continued on page 25

A McKesson employee uses Acumax, a powerful arm mounted computer with a laser scan to ensure order picking speed and accuracy.

Wholesalers survive a year of challenges

Continued from page 23

latest, most sophisticated technological systems, including Acumax *(see cover photo)*, a powerful automated distribution system that uses lightweight, arm-mounted computers that scan product bar codes with laser beams. The new devices speed order picking and also ensure almost total picking accuracy, a major goal for McKesson.

Bergen imported a moveable robot called Datamobile, guided by computer, that greatly enhances the productivity of its order-picking rider. In Albuquerque, where it made its debut, Datamobile has been able to pick 12 orders at a time with virtually no picking errors. Engle says that it has doubled the facility's picking productivity.

Even the highly touted, high-speed A-frames were an old story this year.

But if technology and consolidation were the blazing front-page trends, it was an old-fashioned idea that united all wholesalers: customer service. Companies vied with each other for bragging rights in providing value-added, information-based services like inventory management programs and total quality programs.

Long-term, everyone agrees the outlook for the drug distribution industry is robust, as demographic trends and government and private restraints on health care costs favor pharmaceutical alternatives to hospitalization and surgery.

McKesson Drug Co.

McKesson Drug Co., with its focus on customer service and total quality, increased its sales by 15 percent during the year to $9 billion.

The increases came in all segments of its distribution business. McKesson signed pacts with a number of major customers during the year, including Wegman's, LaVerdiere and Genovese on the East Coast, and Pay 'n Save on the West Coast. Just as important, McKesson renewed its relationships by signing multiyear pacts with Mercy Hospital in California and with Wal-Mart.

Valu-Rite, McKesson's national voluntary cooperative program, grew from 3,300 stores to more than 3,900. Tom Simone, president of McKesson Drug, said the size of the Valu-Rite network would make it first among chains in store count and fourth or fifth in dollar volume ranking. Valu-Rite is the fastest growing segment of McKesson sales to independents.

"The size allows us to provide our independent customers with excellent values," Simone says, both in promotional goods and services. McKesson now offers its Valu-Rite customers a full range of advertising programs, including cable and local television; national radio; and circulars, which increased to 12 a year from nine formerly.

"Our focus in the past year has been on developing new, innovative marketing programs," says Simone, including extending the Econolink electronic data interchange system.

McKesson Total Quality focused on improving the wholesaler's already strong order picking accuracy. And its customer advisory councils have grown to more than 40 nationwide. McKesson uses input from the councils to develop new marketing programs.

In the technology area, no wholesaler is more advanced than McKesson. The new DC in Delran, N.J. "is the most automated in the country, probably the world," says Simone. It uses the most sophisticated systems available, including McKesson's new Acumax system, featured on the cover.

Bergen Brunswig Drug Co.

Bergen Brunswig moved aggressively on the acquisition front this past year, picking up two major regional wholesalers and signing an agreement to acquire another, smaller drug distributor.

The major acquisitions, of Owens & Minor and Durr Fillauer, bolstered Bergen's market share in key regions of the South and Southeast, and adding more than a half billion dollars to the wholesaler's revenue stream. The agreement to purchase Dr. T.C. Smith, a wholesaler with strength in North Carolina, will solidify Bergen's tight grasp on Southern distribution and add more than $100 million in sales.

Bergen, which waged a battle with Cardinal Drug to acquire Durr Fillauer, has had its eye on the Montgomery, Ala.-based distributor of pharmaceuticals and medical/surgical supplies for "many years," according to Phil Engle, president of Bergen Brunswig Drug Co. "Our interest in the Southeast has been very, very high

Continued on page 28

Drug wholesalers customer sales mix

Customer mix	1991	1990	1989	1988	1987
Independent drug stores	41.4%	40.7%	40.8%	44.2%	45.6%
Chain drug stores	23.4	25.7	22.1	21.7	22.7
Hospitals	26.6	22.8	23.9	22.7	22.2
Chain drug warehouse	1.1	2.8	7.4	6.0	4.9
Mass merchandisers & food stores	3.2	4.2	2.8	3.3	2.5
Clinics & nursing homes	2.5	1.0	1.1	0.8	n.a.
Government	0.2	n.a	n.a.	n.a.	n.a.
*Other	1.3	2.5	1.6	0.87	1.90

*In 1987, and earlier years, clinics and nursing homes were combined with other customers. Customer sales mix percentages do not add up to 100% because they are weighted-average values.
Source: NWDA 1991 Operating Survey.

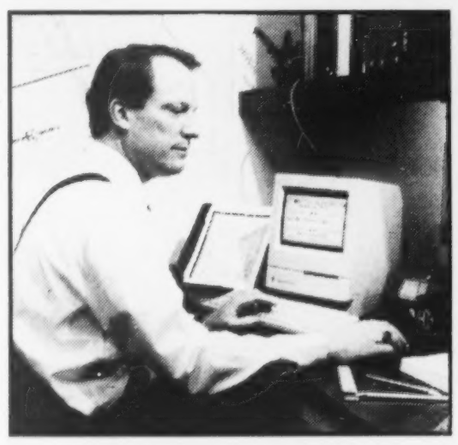
Drug wholesaler sales growth
(Billions)

	1987	1988	1989	1990	1991	1992E*
Dollar sales	$19.46	$22.19	$25.17	$30.18	$36.16	$41.22
Percentage change vs. prior year	16.8%	14.0	13.5	18.2	14.9	14.0
Producer price increase (PPI)	9.40	8.25	7.94	7.20	5.39	n.a.
Sales increases minus (PPI)	7.04	5.77	5.57	10.97	9.57	n.a.

*Estimated.
Source: NWDA 1991 Operating Survey/*Drug Store News* 1992 dollar sales estimate.

Everything you *do* expect from your wholesaler...

Humiston-Keeling is the eighth largest wholesaler in the U.S., with an inventory of 25,000 SKU's. We offer a full range of services, including a computerized warehouse, private label and repackaged pharmaceuticals, and same-day delivery.



...and several things you *don't*

What separates H-K from the competition?

Outstanding Service Levels. Over 98% of lines ordered are filled; Our accuracy rate is 99.7%.

Expanded Customer Service. Working with us is truly "hassle free." Our Customer Service Department is open 70 hours per week to assist you. And one person handles all your concerns.

Customer Advisory Council. We listen and then we act.

Emergency Orders. We expect the unexpected. Whatever the circumstance, we'll be there for you. It's all part of our day's work.

Reliable Delivery. We have our own fleet of trucks and drivers.

Inside and Field Sales. We regularly notify you about new products, recalls, and special promotions. And our field sales staff visit you personally to better understand your needs.

Store Design. We offer complete design and remodeling services.

Environmental Commitment. We can help you develop a recycling program.

Lending Library. We maintain a library of education programs for your use. Most are on audio or video cassette.

Continuing Education. Our seminars - which can be custom-designed - meet continuing education requirements.

But most importantly, we create a partnership with you to develop flexible programs and systems to meet your needs.

Humiston-Keeling:
More than you expected.

700 State Street • Calumet City, IL 60409 • 708-891-2100

Circle #012 on Reader Service Card

Wholesalers survive

Continued from page 25

due to the demographics," he says, referring to the increasing population of older, retired Americans who are the biggest users of the pharmaceutical products distributed by Bergen.

For Bergen, 1992 was the most active in terms of acquisitions in many years. The wholesaler set the pace for the industry, which witnessed an outburst of merger activity that seemed to presage further consolidation as smaller, family-run wholesalers begin to give up the difficult, if not impossible, task of competing with the well-heeled, technologically advanced majors.

In a year marked by vigorous revenue growth and a slight decline in net earnings, Bergen acted to strengthen its distribution capability with a new highly automated facility in Albuquerque and others being built in Houston, Atlanta and Richmond, Va.

Drug wholesalers expense and profit trends

Indicators	1991	1990	1989	1988	1987
Gross margin	6.82%	7.35%	7.30%	7.34%	7.60%
Operating expenses	4.43	4.72	4.85	4.99	5.28
Operating income	2.39	2.63	2,45	2.34	2.31

Source: NWDA 1991 Operating Survey.

FoxMeyer Corp.

FoxMeyer took a big hit with the bankruptcy of Phar-Mor, but its acquisition of Harris Wholesale more than tipped the balance on the plus side this past year.

Bob King, FoxMeyer's chairman, said the Dallas-based wholesaler had spent "a lot of time" integrating Harris, a billion-dollar-plus distributor, into its operation.

"We're pretty much on schedule," he says. "The acquisition fit like a glove. It gave us strengths in the Southeast, Ohio, Pennsylvania and New England. But the best surprise was the good management depth," King says, adding that FoxMeyer has been able to use that depth to strengthen its own management.

FoxMeyer entered into several strategic partnerships during the year. The wholesaler locked up an agreement with May's Drug Stores in Tulsa to handle the physical distribution of promotional and seasonal goods. FoxMeyer also took over distribution facilities for Snyder Drug Stores in Minneapolis and signed a long-term agreement with Perry Drug.

In the technology area FoxMeyer is aggressively rolling out high-speed A-frame picking devices. They've been installed in Kansas City, Cincinnati and Carroll Stream, Ill., outside Chicago.

Health Mart, FoxMeyer's franchise drug store program, continues to be a central focus. There are now 800 stores enrolled in the program, an addition of more than 50 units.

On the downside was the Phar-Mor bankruptcy. "Phar-Mor has been a challenge for us," King concedes. The deep discounter represented 16 percent of FoxMeyer's sales, when the wholesaler was doing $3.1 billion, and was a rapidly growing contributor to revenues.

But King points out that FoxMeyer has absorbed similar "revenue shocks" before, including the loss of Wal-Mart to McKesson. "We've proven every time that we can stay right in the game. This management team is working very hard. They've shown that the loss of any one customer does not put our company in jeopardy." King said he expected Phar-

Continued on following page

Wholesaler challenges

Continued from previous page
Mor to be a viable, though smaller, customer after it emerges from Chapter 11.

Alco

Alco Health Services just completed another record, with sales growing by almost 20 percent to $3.3 billion and earnings at the highest level ever, according to Bob McHugh, vp-marketing.

"We've been consolidating our operations and reducing our operating expenses," McHugh says. In the past several years, the Valley Forge, Pa.-based wholesaler has gone from 31 to 18 divisions by consolidating into larger and more efficient regionally-based facilities.

Alco hit another record, with sales up almost 20 percent and earnings the highest ever.

McHugh says Alco has grown its Eagle Stores operation in Minnesota during the year and incorporated it into its own Family Pharmacy voluntary cooperative program. Eagle, acquired last year, was a strong independent buying group.

Alco's customer base also shifted slightly during the year, according to McHugh, with "a few more points to hospitals."

Hospitals now comprise 38 percent of the business and independents 41 percent, with the rest going to chains.

The shift to hospitals has meant lower margins, of course, but the upside is that servicing hospitals means a reduced expense ratio. McHugh points out that retail customers are more expensive because of the value-added services required to maintain their loyalty in a competitive environment. Alco, for example, lists 50 value-added services that it offers. What's more, the $1.68 per line picking cost remains the same whether the customer is an independent needing a $4 OTC product or a hospital ordering a $100 pharmaceutical.

On the downside, the hospital business requires high inventory investment and the big hospital contracts can be fragile. "You can lose $100 million in a heartbeat," McHugh notes. Alco's policy, he says, is to have no single customer that exceeds 5 percent of its volume.

Bindley Western

Bindley Western focused on the direct-store-delivery side of its business during the year, according to William Bindley, chairman and ceo.

The Indianapolis-based wholesaler, which will post $2.9 billion in sales this year, added many more stores to its distribution network with the acquisition of J.E. Goold, the New England-based full-line wholesaler.

Bindley also completed the upgrading of its distribution centers to full-line, full-service facilities. It has opened a new 100,000-plus-square-foot operation in Orlando, two others, in Middletown, Pa. and Atlanta, and doubled its capacity in Charlotte, N.C. Another 200,000-square-foot regional facility in Orange, Conn., will replace two smaller DC's and bring Bindley's total number of warehouses to 12 from the present 13. In the past three years Bindley has tripled its space to around 800,000 square feet.

"We've spent $18.5 million on bricks and mortar and an upgraded computer system," Bindley says. "We're in a position now to do $4 to $4.5 billion in sales with the facilities we have."

"We've positioned ourselves for the future," Bindley says. "We're very confident. We have a young, talented management team. Our intention is to be a major player—if we're not that already at $2.9 billion in

Continued on following page

YOCON®
YOHIMBINE HCl

Description: Yohimbine is a 3a-15a-20B-17a-hydroxy Yohimbine-16a-carboxylic acid methyl ester. The alkaloid is found in Rubaceae and related trees. Also in Rauwolfia Serpentina (L) Benth. Yohimbine is an indolalkylamine alkaloid with chemical similarity to reserpine. It is a crystalline powder, odorless. Each compressed tablet contains (1/12 gr.) 5.4 mg of Yohimbine Hydrochloride.

Action: Yohimbine blocks presynaptic alpha-2 adrenergic receptors. Its action on peripheral blood vessels resembles that of reserpine, though it is weaker and of short duration. Yohimbine's peripheral autonomic nervous system effect is to increase parasympathetic (cholinergic) and decrease sympathetic (adrenergic) activity. It is to be noted that in male sexual performance, erection is linked to cholinergic activity and to alpha-2 adrenergic blockade which may theoretically result in increased penile inflow, decreased penile outflow or both.

Yohimbine exerts a stimulating action on the mood and may increase anxiety. Such actions have not been adequately studied or related to dosage although they appear to require high doses of the drug. Yohimbine has a mild anti-diuretic action, probably via stimulation of hypothalmic centers and release of posterior pituitary hormone.

Reportedly, Yohimbine exerts no significant influence on cardiac stimulation and other effects mediated by B-adrenergic receptors, its effect on blood pressure, if any, would be to lower it; however no adequate studies are at hand to quantitate this effect in terms of Yohimbine dosage.

Indications: Yocon® is indicated as a sympathicolytic and mydriatric. It may have activity as an aphrodisiac.

Contraindications: Renal diseases, and patient's sensitive to the drug. In view of the limited and inadequate information at hand, no precise tabulation can be offered of additional contraindications.

Warning: Generally, this drug is not proposed for use in females and certainly must not be used during pregnancy. Neither is this drug proposed for use in pediatric, geriatric or cardio-renal patients with gastric or duodenal ulcer history. Nor should it be used in conjunction with mood-modifying drugs such as antidepressants, or in psychiatric patients in general.

Adverse Reactions: Yohimbine readily penetrates the (CNS) and produces a complex pattern of responses in lower doses than required to produce peripheral a-adrenergic blockade. These include, anti-diuresis, a general picture of central excitation including elevation of blood pressure and heart rate, increased motor activity, irritability and tremor. Sweating, nausea and vomiting are common after parenteral administration of the drug.[1,2] Also dizziness, headache, skin flushing reported when used orally.[1,3]

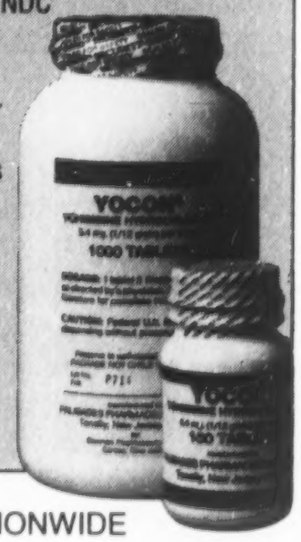
Dosage and Administration: Experimental dosage reported in treatment of erectile impotence.[1,3,4] 1 tablet (5.4 mg) 3 times a day, to adult males taken orally. Occasional side effects reported with this dosage are nausea, dizziness or nervousness. In the event of side effects dosage to be reduced to ½ tablet 3 times a day, followed by gradual increases to 1 tablet 3 times a day. Reported therapy not more than 10 weeks.[3]

How Supplied: Oral tablets of Yocon® 1/12 gr. 5.4 mg in bottles of 100's NDC 53159-001-01 and 1000's NDC 53159-001-10.

References:

1. A. Morales et al., New England Journal of Medicine: 1221. November 12, 1981.
2. Goodman, Gilman — The Pharmacological basis of Therapeutics 6th ed., p. 176-188. McMillan December Rev. 1/85.
3. Weekly Urological Clinical letter, 27:2, July 4, 1983.
4. A. Morales et al., The Journal of Urology 128: 45-47, 1982.

Rev. 1/85



AVAILABLE THROUGH WHOLESALERS NATIONWIDE

PALISADES PHARMACEUTICALS, INC.
219 County Road
Tenafly, New Jersey 07670

1-800-237-9083

Circle #013 on Reader Service Card

Surviving a year of challenges

Continued from previous page

sales."

For a number of years, Bindley has been changing the mix of its distribution business. For most of its 25 years, Bindley operated as a pharmaceutical supplier to warehousing chains. In 1980, warehousing chains represented 96 percent of Bindley's revenue base. Today the figure is 75 percent.

"We couldn't have remained a warehousing chain operation and been a public company," Bindley says. "We needed to complement the distribution channels we had."

Whitmire Distribution Co.

Whitmire Distribution sales have soared in the past two years, based mainly on strong growth in the institutional segment. According to Mel Whitmire, chairman and ceo, the wholesaler broke the $2 billion barrier for the first time during fiscal 1992, which ended in June. Two years ago sales were at $1 billion.

Hospitals represent the bulk of Whitmire's business (49 percent), while "others" comprises 17 percent. Part of that other segment is health maintenance organizations, which Whitmire says are not yet generating "big dollars," but still are the fastest growing portion at over 60 percent. Of the remaining business, chains account for 12 percent, not including bulk sales to chain warehouses. Independents account for 22 percent.

Whitmire's PRIDE program is smaller and with fewer front-end promotional and merchandising features than the typical voluntary cooperative program run by major wholesalers. Its thrust is service the pharmacist with promotions designed to emphasize the professional and

Continued on following page

Drug wholesalers product sales mix

(Percentage of net drug wholesaling sales)

Product mix	1991	1990	1989	1988	1987
Pharmaceutical	79.1%	79.5%	80.6%	77.0%	78.7%
Proprietary/non-prescription drugs	11.4	9.9	8.4	11.2	12.1
Health & beauty aids	6.5	7.0	6.7	6.9	3.9
Sundry/general merchandise	1.1	1.8	2.4	2.5	3.1
****DME & HHC**	1.0	0.9	0.9	1.0	1.0
Other	0.5	0.6	0.8	1.1	0.9

*Health and beauty aids were included in the Proprietary group in 1987 and earlier. In 1988 "non-drug health and beauty aids" were combined with toiletries in a new "health and beauty aids" group.
**Durable medical equipment and home health care.
Source: NWDA 1991 Operating Survey.

Now even your employees can learn how to ...

Merchandise your store for higher sales and greater profits

PLACEMENT FOR PROFIT–THE 5 PART VIDEO TRAINING SERIES THAT BELONGS IN EVERY DRUGSTORE

- **MERCHANDISING AS A MARKETING TOOL $49.95**
  Build sales through placement, adjacencies, 5 planned purchase departments and 6 impulse sales departments.
- **PROMOTIONAL MERCHANDISING $49.95**
  Learn how fixtures build sales and discover profit rules for endcaps, floorstands and case stacks.
- **LEARNING ABOUT MERCHANDISING $49.95**
  Block and billboard to build sales; use plan-o-grams to generate more profits.
- **SEASONAL AND CHECK-OUT MERCHANDISING $49.95**
  Discover 8 profit categories that belong at check-out; how seasonal departments create chain reaction sales.
- **INVENTORY CONTROL $49.95**
  Avoid overspending and understocking; maximize turns, learn step-by-step ordering.

ALL 5 VIDEOS 199.00 SAVE $50

TO ORDER PLACEMENT FOR PROFIT OR THE PREVIEW VIDEO, CALL 1-800-888-0889

D.P. Hamacher & Associates, Inc.
8801 West Heather Avenue
Milwaukee, WI 53224

Circle #014 on Reader Service Card

Continued from previous page
pharmaceutical side of the drug store business.

Whitmire recently entered into a strategic alliance with General Computer, which markets one of the larger retailer systems. Mel Whitmire says the company expects to introduce a new retail-based pharmacy management system that incorporates some of the best features of its OTIS hospital management computer program, but adds several unique wrinkles for its retail customers.

Whitmire was reluctant to talk about the new retail system, but said it would combine typical pharmacy computer features with inventory management capability and a patient counseling application.

The Folsom-based wholesaler services about 5,000 to 6,000 retail customers nationwide, according to Whitmire, and about 1,000 hospitals.

Drug wholesaler profitability trends

Indicators	1991	1990	1989	1988	1987
Return on net worth (FIFO)	13.0%	14.9%	14.3%	11.3%	12.8%
Inflation adjusted RONW (FIFO)	9.9	8.8	9.7	6.9	8.4
Return on total assets (FIF0) (Net profit after taxes to total assets)	5.55	5.77	5.84	4.67	5.55
Total asset turnover (Net sales to total assets) (FIFO)	4.10	4.15	4.10	4.15	4.11
Gross profit margins (FIFO)	6.82	7.35	7.30	7.34	7.60
Net profit margins (FIFO)	1.31	1.35	1.36	1.13	1.33

Source: NWDA 1991 Operating Survey.

Cardinal Distribution, Inc.

Cardinal Distribution won one and lost one in the acquisition arena this year.

The win occurred last October with the purchase of Chapman Drug, a strong regional wholesaler in the Southeast. The loss came in September when Cardinal dropped its bid to acquire Durr Fillauer, another strong Southeastern player.

David Bearman, senior vp, says the loss of Durr last month to the more aggressive bidding of Bergen Brunswig was "disappointing" to a management that had sought to consolidate its strength in key growth areas. He says the company refused in the end to dilute its earnings and compromise its balance sheet by continuing the bidding war with Bergen.

"But we have a number of alternatives that we are pursuing, including the expansion of Chapman," he says.

Despite the disappointment with Durr, Cardinal continued

Continued on following page

McKesson's number one priority: Your total satisfaction.

We're out to surpass your greatest expectations with leadership in technology and a commitment to total quality. We pledge to deliver the best in systems and service to each of our customers *every single day.*

✓ The widest selection of pharmaceuticals and high-quality generics.

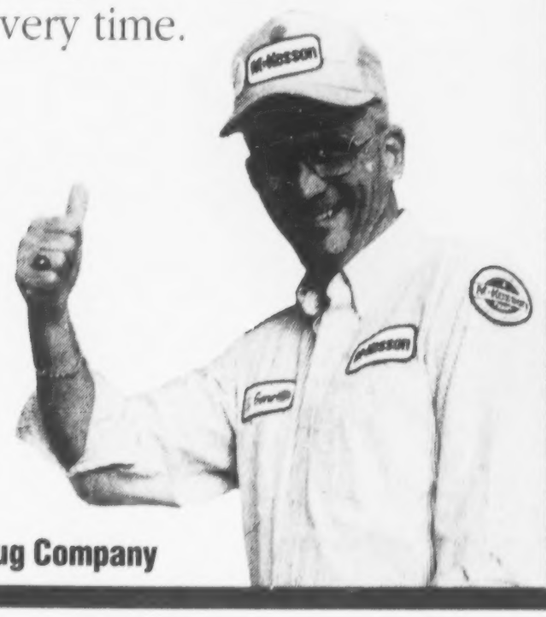
✓ Accurate invoices and returns.

✓ Orders filled precisely and delivered on schedule.

✓ Merchandising support.

✓ Fast credits.

✓ Doing it right the first time, every time.



McKesson Drug Company

Circle #015 on Reader Service Card

Now Available From Taro

We strongly believe that Desonide Cream 0.05% offers increased savings to your customers while boosting your profits. A combination that's a win/win!

To become familiar with the complete line of TARO products, give us a call or call your local wholesaler and ask for our full product catalog. 800-544-1449

TARO

Taro Pharmaceuticals U.S.A., Inc.
Six Skyline Drive
Hawthorne, NY 10532
800-544-1449

Special Introductory Offer
1 Free With 1
With every purchase of Desonide get one free. For information call Taro.
Offer Expires October 30,1992

1992Taro Pharmaceuticals U.S.A. Inc.

cover story

Wholesalers survive challenges

Continued from previous page
its strong expansion on all fronts. Sales and earnings for the country's sixth largest wholesaler both doubled in the past two years.

Cardinal also pursued a number of innovative new programs and services, part of a strategy designed to broaden its mix of offerings and add value to its existing and prospective customer base. The wholesaler formed a new business to distribute therapeutic blood plasma products and other specialty pharmaceuticals to customers in its growing managed care segment.

Cardinal also invested in a company called Medical Strategies, Inc., which provides retail pharmacies with free-standing touch-screen information kiosks. The kiosks offer customers a full menu of health information, and provides Cardinal with what it calls "a valuable calling card"

Continued on page 35

Drug wholesalers with voluntary programs

Company	Voluntary name	No. of members
McKesson	Valu-Rite	3,960
Alco Health Services	Family Pharmacy	1,200
Durr Drug Co. Inc.	Priceguard	1,050
Bergen Brunswig	Good Neighbor	1,025
FoxMeyer	Health Mart*	780
Commons Bros, Inc.	Nu-Health***	700
Drug Guild	Drug Guild Community Pharmacy**	675
Whitmire Distribution	P.R.I.D.E. Pharmacies	600
North Carolina Mutual	Mutual Drug	440
Humiston-Keeling	Service Pharmacy	300
Albers Inc.	ADVALUE Drug Center	276
Neuman Wholesale Drug	Super Save & James Drug Co-op	214
The F. Dohmen Co	Aim Plus	205
Barnes Wholesale, Inc.	Major Value	170
Cardinal Distribution	Leader Drug	165
Solomons Co.	Healthcare Pharmacies	158
Dakota Drug	ABC	141
Gulf Distribution	Vida Pharmacy	117
Dix Drug	Centsible	100
Remo Drug	Value-Most	100
Smith Drug Co.	The Pharmacy Group Stores	81
Northern Drug	Med Plus	75
Kinray Inc.	Kinray Kicker	60
Walsh-Lumpkin	Healthcare America	50
James Brudnick Co. Inc.	Family Pharmacy	30

*Health Mart is a franchised program.
**Drug Guild is a company co-op.
***Nu-Health is a company co-op.
Source: *Drug Store News*/NWDA Survey.

Continued from page 32
for building its business in the retail arena.

The wholesaler also introduced Network, a computer-based pharmacy information system that incorporates many of the inventory management features of its hospital pharmacy management system called AccuNet.

Humiston-Keeling, Inc.

When an outbreak of spinal meningitis occurred in the Darien, Ill., area about six months ago, Larry Olin had a shipment of Rifadin, the Marion Merrell Dow antibacterial drug, shipped directly to his home on the weekend. The president of Humiston-Keeling then personally delivered the life-saving drugs to about a dozen pharmacies in the area. That is one example of the kind of attention to customers that Humiston-Keeling feels is its strong suit in an industry marked by increasingly vigorous price competition.

According to Linda Milberg, executive vice president, the Chicago-based wholesaler shifted its strategy to total quality management about three years ago, realizing that it needed to fill a niche that considers something other than price. So, for example, Humiston-Keeling now has a service level of 98 percent and an accuracy rate in order filling of 99.97 percent, according to Milberg.

The wholesaler services the four-state Midwest area of Illinois, Indiana, Michigan and Wisconsin, but actually fills orders in 11 states including New York and California.

Among the out-of-state customers are those with special needs, including dialysis centers and speciality clinics.

Humiston offers a full range of other services to its customers. One example is a lending library made up of material on management techniques. "We can't keep them in stock," Milberg says. The wholesaler also maintains a customer service desk that's open 70 hours a week. "When there's an emergency, we're there for our customers," Milberg says. ■

Wholesalers survive challenges

The nation's top 20 highest volume drug wholesalers

Company	FY ending	Drug sales in millions	Projected next year sales
1. McKesson Drug Co. *San Francisco*	3/31/92	$7.9	$8.9[E]
2. Bergen Brunswig Drug Co. *Los Angeles*	8/31/92	6.5	7.4[E]
3. FoxMeyer Corp. *Carrollton, Texas*	3/31/92	3.2	5.2[E]
4. Alco Health Services *Valley Forge, Pa.*	9/30/91	2.8	3.3[E]
5. Bindley Western *Indianapolis, Ind.*	12/31/91	2.4	2.9[E]
Total Sales Top 5: 22.5 Billion (62% of 1991 industry sales)			
6. Whitmire Distribution Corp. *Folsom, Calif.*	7/3/92	2.3	2.7[E]
7. Cardinal Distribution, Inc. *Dublin, Ohio*	3/30/92	1.6	2.1[E]
8. Humiston-Keeling *Chicago, Ill.*	5/1/92	785	867[E]
9. Durr Drug Co., Inc. *Montgomery, Ala.*	12/31/91	696	821[E]
10. Commons Bros., Inc. *Elmsford, N.Y.*	4/30/92	425	605[E]
Total Sales Top 10: 28.3 (78% of 1991 industry sales)			
11. OCP-America *Clark, N.J.*	9/30/92	412	475[E]
12. Neuman Wholesale Drug Co. *Ridgefield, N.J.*	4/30/92	400	450[E]
13. Drug Guild Distributors, Inc. *Secaucus, N.J.*	7/31/92	346	404[E]
14. Kay Wholesale Drug Co., *Wilkes-Barre, Pa.*	6/30/92	320	350[E]
15. Moore Medical Corp. *New Britain, Conn.*	12/28/91	311	290[E]
Total Sales Top 15: 30.1 (83% of 1991 industry sales)			
16. Twin City Wholesale *Drug, Minneapolis, Mn.* (Division of Krelitz Industries)	5/2/92	250	260[E]
17. Walker Drug Co. *Birmingham, Ala.*	12/31/91	247	284[E]
18. Gulf Distribution, Inc. *Miami, Fla.*	6/30/92	228[E]	262[E]
19. North Carolina Mutual Wholesale Drug, *Durham, N.C.*	3/31/92	220	247[E]
20. Kinray Inc. *Elmhurst, NY.*	12/31/91	215	245[E]
Total Estimated Sales Top 20: 31.3 (86% of 1991 industry sales)			

Source: *Drug Store News*/NWDA survey.

Test kit sales to reach $2 billion by 1999

The pregnancy test kit market is increasing as manufacturers continue to introduce more reliable, user-friendly products.

By Mike Troy

Fueled by blood glucose monitoring devices and to a lesser extent pregnancy tests, the market for home testing kits continues to soar *(see chart)*.

As more and more people assume responsibility for their health care, sales of test kits, especially for diabetic purposes, are expected to continue to increase. Demographics support ambitious projections and bode well for healthy future sales.

"There are tremendous sales and growth opportunities in all drug outlets," said Bill Amirault, trade marketing manager at LifeScan, a Johnson & Johnson Company. "Sales of meters and strips are going through the roof and should increase by 15 percent or more in the coming years."

The blood glucose monitor segment is largely responsible for double digit increases in annual sales of the test kit category. Demand for the products has attracted the attention of many manufacturers, but LifeScan's strips and meters remain the most popular, according to figures compiled by the research firm of Towne-Oller & Associates.

When it comes to purchasing test kits, consumers usually think of drug stores. Drug stores have about an 87 percent share of the test kit market. The food channel accounts for 9 percent, followed by mass merchandisers, where only about 1 percent of the kits are sold. Another 3 percent are sold through mail order and other sources.

The key to product movement in the category is what Amirault described as "visible availability." Test kits are high pilferage items, but keeping them out of sight behind a pharmacy counter can discourage sales. Optimally, meters and strips should be merchandised on shelves near the pharmacy with a sign alerting people to the location of diabetes products, according to Amirault.

Diabetes test kits comprise about 60 percent of drug store test kit sales. Pregnancy test kits make up another 30 percent, according to Towne-Oller. Diabetes kits may dominate the category, but the pregnancy test kit market continues to grow as manufacturers market increasingly reliable and user-friendly products.

Manufacturer sales of test kits

*1992	$585 M
1991	$515
1990	$435
1989	$335
1988	$285

*Projected, assumes 13.5 percent growth.
Source: Kline & Co.

For example, the new Precise product now on the market by Becton Dickinson and Co. can detect pregnancy hormones (human chorionic gonadotropin, hCG) at half the concentration levels of other leading national brands. Results are available in one minute, whereas other tests may take anywhere from two to five minutes. The test is accurate 99 percent of the time, according to a company spokesman.

In addition to being accurate and quick, some kits, such as Warner-Lambert Company's EPT, can be used to detect pregnancy as early as the day of a missed period.

Other kits make inroads

Blood glucose monitors and pregnancy test kits now find themselves sharing shelf space with some new kits that screen for a number of other conditions.

Biotel Corporation has recently relaunched a line of home screening tests for urinary tract infections, kidney/bladder disorders as well as diabetes. The company has placed plenty of print and television ad muscle behind the trio of urine-based dip stick tests, which the company says are more accurate than ever.

Biomerica also has two EZ Detect products on the market which screen for occult blood. The company's stool blood test is a chemically treated patch that will produce a positive or negative result when dropped in a toilet containing a bowel movement. The test is easier to use than messy smear tests, since it requires no handling of the stool.

The company's other dip stick test, which detects blood in urine, has correlated 100 percent with independent lab results. Both EZ Detect tests retail at between $5.50 and $7.50 and can be found in retailers such as Walgreen's, Sav-On/Osco and Hook.

"More and more people are

Continued on page 44

Non-invasive technology: the wave of the future

When "Star Trek's" Dr. McCoy waved a small handheld device over a patient's body, he could immediately make a diagnosis.

The creators of the original TV series may have been on to something. In a few years, a conceptually similar device that uses non-invasive technology is expected to be available to diabetics in the form of a blood glucose monitor. Several manufacturers are scrambling to be the first to market such products.

"Non-invasive technology is going to be a truly significant breakthrough, not just in the blood glucose monitoring category, but in the medical profession," said Ron Jackson, vp of sales and marketing with Cascade Medical, makers of the CheckMate line of diabetes products. "We may be a couple of years away from it, but non-invasive technology really is the wave of the future."

Cascade Medical expects to market a non-invasive monitor now under development by Boston Advanced Technologies. The patented technology utilizes laser diodes and fiber optics to direct near-infrared light through the skin. The reflected light is then analyzed to provide a measure of the glucose concentration in the blood.

Still a few years away from store shelves, Jackson said the product will only be available to professionals in a clinical setting at first, "but ultimately the goal is to have it available at retail."

Diabetes statistics

- *The American Diabetes Association says almost 750,000 people will be diagnosed as diabetic this year.*
- *More than 14 million people in the United States have diabetes, half of whom are not aware they have the disease.*
- *A person with diabetes spends up to $2,500 in drug stores, 15 times more than the average household.*
- *Diabetes products are the fourth largest selling HBA category by dollar volume.*

Test kit sales: $2 billion by 1999

Continued from page 41

interested in testing themselves in the privacy of their own homes. These tests are confidential and allow a consumer to catch problems at an early stage," said Zachary Irani, business development manager at Biomerica.

Biotel's president and ceo, Truman Susman, said the retail market for all consumer testing is well over $700 to $800 million, with the potential to blossom to $2 billion by the end of the century. He expects this subcategory of kits to grow 10 to 15 percent within the next few years.

It's too early to judge consumer reaction to the products. "The products just hit the stores recently, but I think there could be some interesting results because of the marketing behind the Biotel products," said Steve Hewes, buyer at Genovese.

One buyer at a large chain said he planned to advertise the Biotel tests in an upcoming circular. "There's definitely a market for testing kits and I see a bigger future for home testing," he said. ■

CHERACOL®

A Tradition in Good Taste™

- Great Cherry Flavor
- Effective Cough/Cold Relief
- TV, Radio and Print Advertising
- Limited Time Promotional Offer

To Order, Make the
Chera-Call: 1-800-828-8566

ROBERTS PHARMACEUTICALS

Roberts Pharmaceutical Corporation, Meridian Center III, 6 Industrial Way West
Eatontown, NJ 07724 Customer Service: 1-800-828-2088

Circle #022 on Reader Service Card